

EXHIBIT C



**KNOX COUNTY
PROCUREMENT DIVISION
GRANT PROCEDURES**

Self-Certification of an increase in the Micro-Purchase Threshold to a standard higher than what is established in the Federal Acquisition Regulations (FAR) in accordance with 2 CFR 200.320(a)(1)(iv).

In accordance with the standards established in 2 CFR 200.320 and the authorities of the Procurement Director outlined in the Knox County Code of Ordinances, the Procurement Director may annually self-certify an increase to the micro-purchase threshold beyond what is set in the Federal Acquisition Regulations (currently \$10,000.00 for non-federal entities) for Knox County. Accordingly, Knox County has elected to self-certify a micro-purchase threshold of \$25,000.00 based on these standards.

This means that in addition to the federal guidance in 2 CFR 200, procurements not exceeding \$25,000.00 shall follow the Small Procurements guidance of Knox County Procurement Code Sec. 2-636, while procurements in excess of \$25,000.00 but not exceeding \$50,000.00 will follow the informal bidding procedures of Sec. 2-636.

The memorandum authorizing this threshold is attached as **Appendix A**. The procurement procedures below reflect the procurement standards to be followed in accordance with 2 CFR 200 and this self-certification. The self-certification must be re-authorized annually. A copy of the self-certification and supporting documentation can be found online at <https://www.knoxcounty.org/purchasing/governing-law.php>.

Procurement Procedures related to purchases using funds from Federal Grants Required under Title 2 of the Code of Federal Regulations (2 CFR 200) Effective February 22, 2021.

2 CFR 200 (“The Uniform Guidance”) describes the procedures recipients and subrecipients of federal grants must follow when expending federal grant dollars. Additional terms or regulations may apply based on whether Knox County is a subrecipient of pass-through federal grant funding from the State of Tennessee or another entity and those terms will be unique to the contract establishing Knox County’s status as such. The following describes the five procurement methods allowed under federal law 2 C.F.R. § 200.320.

For Purchases not exceeding \$25,000.00:

1. Micro-Purchases/Small Procurements

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed \$10,000.00 as established by the Federal Acquisition Regulations (FAR). Micro-purchases may be awarded without soliciting competitive price or rate quotations if Knox County considers the price to be reasonable based on research, experience, purchase history, or other information and the purchase is documented and filed accordingly.

By annual self-certification in accordance with 2 CFR 200.320(a)(1)(iv), a non-federal entity may increase its micro-purchase threshold beyond what is established in the FAR. Based on this provision, Knox County self-certifies a micro-purchase threshold of \$25,000.00. Under this self-certification, micro-purchases are analogous to Small Procurements as defined in Knox County Procurement Code Sec. 2-636.

The micro-purchase method is used in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. To the extent practicable, the County distributes micro-purchases equitably among qualified suppliers. Knox County typically places orders with the Vendor offering the lowest overall cost for commodities or services. However, there can be extenuating circumstances such as availability or delivery time that would necessitate a purchase from another Vendor.

Micro-purchases may be awarded without soliciting competitive quotations if the County considers the price to be reasonable. The County maintains evidence of this reasonableness in the records of all micro-purchases. The County should obtain at least one quote but no independent price estimate or cost analysis is needed. Please see Procurement Regulations Section IV Procurement Procedures and Codes, I, Amounts Processed without Formal Sealed Bids or Informal Bids for written procedures on how to determine whether a price is reasonable.

a. Use of Electronic Commerce Cards for Micro-purchases under Federal Awards

Knox County may utilize Electronic Commerce Cards for micro-purchases under Federal Awards in accordance with 2 CFR 200.320(a)(1)(ii). Micro-purchases made with Electronic Commerce Cards must follow all applicable procedures set out in the Procurement Regulations, including the Electronic Commerce Card procedures.

For Purchases exceeding \$25,000.00 but not exceeding \$50,000.00:

2. Small Purchase Procedures:

In accordance with 2 CFR 200.320(a)(2)(i), small purchase procedures require price or rate quotations from an adequate number of qualified sources as determined appropriate by Knox County. This standard is analogous with the standard for Informal Bidding outlined in Knox County Procurement Code Sec. 2-636.

Accordingly, small purchase procedures (informal bidding) must be used for purchases exceeding the micro-purchase threshold of \$25,000.00 but not exceeding \$50,000.00. This means that for purchases meeting this standard, three (3) written quotes will be required for the procurement.

For Purchases exceeding \$50,000.00:

3. Sealed Bids (Formal Advertising):

For purchases exceeding \$50,000.00, bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the following conditions apply:

- A complete, adequate, and realistic specification or purchase description is available;
- Two or more responsible bidders are willing and able to compete effectively for the business; and
- The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

If sealed bids are used, the following requirements apply:

- Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for state, local, and tribal governments, the invitation for bids must be publicly advertised;
- The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
- All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
- A firm fixed price contract award must be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of.
- Any or all bids may be rejected if there is a sound documented reason.

4. Competitive Proposals:

The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

- Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;
- Proposals must be solicited from an adequate number of qualified sources; and
- Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered. The County may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort. See Section IV Procurement Procedures and Codes, Q, 2. Request for Proposal (RFP) for the County's

methods for conducting technical evaluations of the proposals received and for selecting recipients.

5. Noncompetitive Proposals (Sole Sourcing):

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold;
- The item is available only from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the County; or
- after solicitation of a number of sources, competition is determined inadequate. See Section V paragraph D - Sole Source Procurement of the Knox County Procurement Regulations, for additional information. A cost or price analysis will be performed for noncompetitive proposals when the price exceeds \$25,000.

Contract Cost/Price Analysis:

The County performs a cost or price analysis in connection with every procurement action in excess of \$50,000.00, including contract modifications.¹ A cost analysis generally means evaluating the separate cost elements that make up the total price, while a price analysis means evaluating the total price, without looking at the individual cost elements.

The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, the Procurement Director must come to an independent estimate prior to receiving bids or proposals.² Knox County Procurement works closely with each Department prior to bidding events to understand the nature of the commodity or service required to determine a competitive range. Prior procurements, current price data and institutional knowledge are leveraged during a cost or price analysis.

When performing a cost analysis, the Procurement Director negotiates profit as a separate element of the price.³ To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.⁴ Costs or prices based on estimated costs for contracts under the federal award are allowable only to the extent that

¹ 2 C.F.R. 200.324(a)

² Ibid.

³ 2 C.F.R. 200.324(b)

⁴ Ibid.

costs incurred or cost estimates included in negotiated prices would be allowable for the County under Subpart E – Cost Principles of the Uniform Guidance.⁵

Factors affecting Allowability of Costs:

In accordance with 2 C.F.R. 200.403⁶, costs must meet the following general criteria in order to be allowable under Federal awards except where otherwise authorized by statute:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in 2 C.F.R. 200 Subpart E.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of 2 C.F.R. 200 Subpart E.
- Costs must be incurred during the approved budget period. The Federal Awarding Agency for a Knox County Grant Award is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to 200.308(e)(3).

Full and Open Competition

All procurement transactions must be conducted in a manner providing full and open competition consistent with 2 C.F.R 200.319 and 200.320. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

- Placing unreasonable requirements on firms in order for them to qualify to do business;
- Requiring unnecessary experience and excessive bonding;
- Noncompetitive pricing practices between firms or between affiliated companies;
- Noncompetitive contracts to consultants that are on retainer contracts;

⁵ 2 C.F.R. 200.324(c)

⁶ As amended at 85 FR 49562, Aug. 13, 2020.

- Organizational conflicts of interest;
- Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and
- Any arbitrary action in the procurement process.

EDGAR (Electronic Data Gathering, Analysis, and Retrieval system) further requires the following to ensure adequate competition:

Geographical Preferences Prohibited

The County must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

Prequalified Lists

The County must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the County must not preclude potential bidders from qualifying during the solicitation period.

Solicitation Language

The County must ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible.

When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

Contracting with Small and Minority Businesses

The non-Federal entity must take all necessary affirmative steps to assure that minority businesses, women’s business enterprises, and labor surplus area firms are used when possible. Affirmative steps must include:

- Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
- Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
- Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
- Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;
- Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
- Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) of 2 CFR 200.321(b).

2 C.F.R Federal Procurement System Standards

Avoiding Acquisition of Unnecessary or Duplicative Items

The County must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration is given to consolidating or breaking out procurements to obtain a more economical purchase.

And, where appropriate, an analysis must be made of leases versus purchase alternatives, and another other appropriate analysis to determine the most economical approach. These considerations are given as part of the process to determine the allowability of each purchase made with federal funds.

Use of Intergovernmental Agreements

To foster greater economy and efficiency, the County enters into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services. See Division 8 of the Knox County Procurement Code for additional information.

Use of Federal Excess and Surplus Property

The County considers the use of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

Debarment and Suspension

The County awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources. The County may not subcontract with or award subgrants to any person or company who is debarred or suspended. For all contracts over \$25,000 the County verifies that the vendor with whom the County intends to do business with is not excluded or disqualified. 2 C.F.R. Part 200, Appendix II (1) and 2 C.F.R. 180.220 and

180.300. This is done by checking the excluded parties list on Sam.gov <https://www.sam.gov/portal/SAM/#1>. See Section VI paragraph K - Debarring Vendors of the Knox County Procurement Regulations for additional information.

Maintenance of Procurement Records

The County must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred. Please refer to the County Technical Assistance Service (CTAS) for the current retention schedules used for the County's record policies.

Time and Materials Contracts

The County may use a time and materials type contract only (1) after a determination that no other contract is suitable; and (2) if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to the County is the sum of: the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit. Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the County must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

Settlements of Issues Arising Out of Procurements

The County alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the County of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

Protest Procedures to Resolve Dispute

The County maintains protest procedures to handle and resolve disputes relating to procurements and, in all instances, discloses information regarding the protest to the awarding agency. See Section VI paragraph M - Award Protest Procedures of the Knox County Procurement Regulations for additional information.

Conflict of Interest Requirements

Standards of Conduct

In accordance with 2 C.F.R. 200.112, the County maintains the following standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the

selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the County may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value. See Section I paragraphs A and B of the Knox County Procurement Regulations for additional information.

Disciplinary Actions

See Section I paragraph B.8 – Civil and Administrative Remedies against Employees who Breach Ethical Standards of the Knox County Procurement Regulations for additional information.

Mandatory Disclosure

Upon discovery of any potential conflict, the County will disclose in writing the potential conflict to the federal awarding agency in accordance with applicable federal awarding agency policy.