



May 20, 2024

Centralized Purchasing in Counties

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

The University of Tennessee
County Technical Assistance Service
226 Anne Dallas Dudley Boulevard, Suite 400
Nashville, Tennessee 37219
615.532.3555 phone
615.532.3699 fax
www.ctas.tennessee.edu

Centralized Purchasing in Counties	3
County Purchasing Law of 1957	3
Purchasing Agent	4
County Purchasing Commission	5
Rules and Regulations	5
Competitive Bidding under the 1957 Law	5
Checks and Balances under the 1957 Law	6
Additional Statutory Provisions	7
Conflict of Interest under the 1957 Law	7
County Financial Management System of 1981	8
Department of Finance	8
Financial Management Committee	8
Director of Finance	9
Purchasing System	9
Competitive Bidding under the 1981 Law	10
Checks and Balances under the 1981 Law	11
Conflict of Interest under the 1981 Law	11
Penalties for Violation of the Act	12
Centralized Purchasing by Private Act	12

Centralized Purchasing in Counties

Reference Number: CTAS-895

Purchasing in Tennessee counties may or may not be centralized, depending on the laws under which the county operates. Basically there are three major general laws governing purchasing in Tennessee county governments: (1) the County Purchasing Law of 1957, (2) the County Financial Management System of 1981, and (3) the County Purchasing Law of 1983. The 1957 and 1981 laws are centralized and apply only in those counties that have elected to come under their provisions. The 1983 law, which applies in counties that have not adopted any other purchasing law, is not centralized. Finally, some counties operate under private acts which may or may not centralize the purchasing functions in the county.

Before delving into the various laws that govern purchasing in county governments, we must define "centralization." What does it mean for county purchasing to be centralized? In basic terms, centralized purchasing simply describes the type of organization in which there is some form of centralized control over the purchasing function.¹

The Council of State Governments lists some of the benefits of centralization, not the least of which is cost savings.²

"An effective central purchasing program reduces the cost of government. It inspires public confidence in government. It directly improves the quality and timeliness of services rendered by program departments and agencies. It is government's meaningful link to the business community; it promotes honesty and integrity throughout governmental operations" (CSG, p. 10).

Some major benefits of centralized procurement include:

- Cost savings e.g., volume buys.
- Effective control authority for all procurement is placed in a single entity which establishes uniform procedures and oversight.
- Utilization of a professional purchasing staff to support the many agencies and departments in the county.
- Allowing program/agency personnel to concentrate on their areas of responsibility and expertise while allowing professional purchasing staff to make purchases.³
- Allowing the purchasing office and its personnel to accumulate a solid foundation of knowledge and experience about purchasing, marketing trends, prices, and vendors. This knowledge and expertise saves the county money on prices and allows a more efficient purchasing process.⁴

The Institute of Supply Management (formerly NAPM) offers the following advantages\benefits of centralization:

A high level of buying expertise, lower operating costs through central coordination of purchasing activities, avoiding duplication of effort, better prices, and providing more time for line managers to manage (rather than engage in procurement activities) (NAPM, p. 95-96).

As stated previously, there are two major statutes that counties may adopt to centralize the county's purchasing functions into one county purchasing department. Both of these are optional general laws of local application—they only apply to counties in which they have been approved by a two-thirds vote of the county legislative body or by a majority of voters in a referendum.

¹Clifford P. McCue, et al., *The Fraud/Red Tape Dilemma in Public Procurement: A Study of U.S. State and Local Governments*, Paper Presented at the Public Sector Purchasing and Supply Symposium, April 2003, 22.

²McCue, 23.

³Larry N. Wellman, CPPO, *Centralization of the Procurement Function*, NIGP Technical Bulletin, 1

⁴Williamson County, Texas, *Purchasing Manual Policies*, (Revised 2001), 10.

County Purchasing Law of 1957

Reference Number: CTAS-896

The County Purchasing Law of 1957 is one of the two optional general law statutes of local application that

a county may adopt to centralize the county's purchasing functions. The County Purchasing Law of 1957—

- Is codified in T.C.A. §§ 5-14-101 *et seq.*
- May be adopted by the majority of voters in a referendum or by two-thirds vote of the county legislative body. T.C.A. § 5-14-102.
- Is one of three companion Fiscal Control Acts of 1957: the County Budgeting Law of 1957 (budgeting), the County Fiscal Procedure Law of 1957 (accounting), and the County Purchasing Law of 1957 (purchasing). The county may enact any or all three acts; however, it is difficult to implement less than all three acts because each refers to certain provisions of the others. For example, T.C.A. § 5-14-109 states that purchases and contracts are not to be awarded until it has been certified by the director of accounts and budgets, or other county official or employee in charge of the central accounting records of the county, and that the unencumbered balance in the appropriation chargeable with the purchase obligations is sufficient to cover the cost of the order or contract.

Applicability to the Department of Education. The provisions of this act are not applicable to county school funds for any purpose unless approved by the State Commissioner of Education. T.C.A. § 5-14-115.

Liability for Purchases. The county is liable for the payment of all purchases of supplies, materials, equipment and contractual service made in accordance with the provisions of the County Purchasing Law of 1957, but not for the payment of purchases made contrary to its provisions. T.C.A. § 5-14-113.

Purchasing Agent

Reference Number: CTAS-897

The purchasing agent has the exclusive power to make purchases for any county office or department under the County Purchasing Law of 1957.

Appointment— The county mayor appoints a purchasing agent subject to the approval of the county legislative body. T.C.A. § 5-14-103. The director of accounts and budgets may also serve as purchasing agent.

Qualifications—The purchasing agent must be qualified by training and experience to perform the required duties. T.C.A. § 5-14-103.

Surety Bond—The person appointed as purchasing agent must have a corporate surety bond in an amount not less than \$100,000 as established by the county mayor. The premium for the bond is paid from the county general fund. T.C.A. § 5-14-103(c).

Compensation of Purchasing Agent—The salary of the purchasing agent is set annually by the county legislative body. It cannot be in excess of amounts paid to other county officials under T.C.A. §§ 8-24-101 and 8-24-102. T.C.A. § 5-14-103.

Office Space of Purchasing Agent—Necessary office space and equipment for the use of the purchasing agent shall be provided and maintained at the county seat of such county. Such office shall be open for business during the hours observed by other officials of the county government. T.C.A. § 5-14-104.

Personnel—The purchasing agent is empowered, in accordance with such regulations as may be established by the county mayor, to appoint and remove the office assistants, to prescribe their duties, and to fix their salaries within the limits of the annual appropriation. T.C.A. § 5-14-103(e).

Duties of the Purchasing Agent

- Purchase all supplies, materials, equipment, and contractual services;
- Arrange for rental of all machinery, buildings, and equipment;
- Transfer materials, supplies, and equipment between county departments; and
- Supervise the central storeroom. T.C.A. § 5-14-105.
- Classify the requirements of the county government for supplies, materials, and equipment;
- Adopt as standards the smallest number of quantities, sizes, and varieties of such supplies, materials, and equipment consistent with the successful operation of the county government; and

- Prepare, adopt and promulgate written specifications describing such standards. In preparation and revision of such standards the purchasing agent shall seek advice, assistance and cooperation of the county departments and agencies to ascertain their precise requirements. T.C.A. § 5-14-112.

County Purchasing Commission

Reference Number: CTAS-898

The county purchasing commission consists of five members, one of whom must be the county mayor and the remaining four are appointed by the county mayor with approval of the county legislative body. The duty of the county purchasing commission is to assist the purchasing agent in establishing policies, procedures, and regulations for making purchases and contracts; however, the actual administration of purchasing activities is the sole responsibility of the purchasing agent. T.C.A. § 5-14-106.

Rules and Regulations

Reference Number: CTAS-899

The county purchasing agent, with the assistance of the county purchasing commission, is required to adopt, promulgate, and may from time to time amend rules and regulations for the purchase of supplies, materials, equipment, and contractual services, and specifically for the following purposes, as set out in T.C.A. § 5-14-107:

Emergencies—Authorizing in writing any department, official or agency of the county government to make purchases in the open market for immediate delivery in emergencies; defining such emergencies; and describing the manner in which such emergency purchases shall be made and promptly afterward reported to the county purchasing agent.

Requisitioning, Purchasing, Delivery, Storage, and Distribution— Prescribing the manner in which supplies, materials and equipment shall be requisitioned, purchased, delivered, stored, and distributed; and prescribing the dates for submitting requisitions and estimates, the future period they are to cover, the form in which they are to be submitted, the manner of their authentication, and their revision by the county purchasing agent.

Receiving and Testing of Materials and Equipment—Prescribing the manner of inspecting all deliveries of supplies, materials and equipment, and of making or procuring chemical and physical tests of samples submitted with bids and samples of deliveries to determine compliance with specifications.

Invoice Examination—Prescribing the manner in which invoices for supplies, materials, equipment and contractual services delivered to any and all departments, agencies, and offices of the county shall be submitted, examined, and approved.

Surplus Property—Requiring periodic and special reports by county departments and agencies of stocks of surplus, unusable or obsolete supplies and equipment on hand; providing for transfers of surplus supplies and equipment to and between county departments and agencies which may be surplus to one but needed by another; and providing for the disposal by sale, after receipt of competitive bids, of supplies, materials, and equipment which are obsolete or unusable.

Bonds—Determining whether a deposit or bond is to be submitted with a bid on a purchase contract or sale, and if required, prescribing the amount and form thereof, and providing that such surety shall be forfeited if the successful bidder refuses to enter into contract 10 days after the award.

Public Auctions of County-Owned Property—Prescribing the manner in which public auctions for the sale of county-owned property, real or personal, which has become surplus, obsolete, or unusable shall be conducted.

Other Matters—Providing for all other such matters as may be necessary to give effect to the foregoing rules and to the provisions of this part.

Competitive Bidding under the 1957 Law

Reference Number: CTAS-900

The rules concerning bidding are set out in T.C.A. § 5-14-108. The general rule is that competitive bids are required for all purchases of and contracts for supplies, materials, equipment, and contractual

services; all contracts for the lease or rental of equipment; and all sales of county-owned property which is surplus, obsolete, or unusable. All sales must be made to the highest responsible bidder. T.C.A. § 5-14-108(d)(3). All purchases and contracts shall be awarded to the lowest and best bidder, taking into consideration the qualities of the articles to be supplied, their conformity with specifications, their suitability to the requirements of the county government, and the delivery terms. Any and all bids may be rejected for good cause. T.C.A. § 5-14-108(f). Bids on purchases are to be based on such standards as are adopted by the county purchasing agent and approved by the county purchasing commission. T.C.A. § 5-14-108(e).

Bid Thresholds—Sealed bids must be solicited after public advertisement if the amount of the expenditure or sale is expected to exceed \$500 (but the county legislative body, by resolution, may raise this to any amount not exceeding \$10,000). Requisitions for items estimated to cost an amount requiring public notice and sealed bids cannot be split to avoid this requirement. T.C.A. § 5-14-108(d)(2).

Informal Bids—Purchases or sales that are below the county's bid threshold may be made without public advertisement and sealed bids, but should be based on at least three competitive bids whenever possible. T.C.A. § 5-14-108(c)(1) and (d).

Formal Sealed Bids—For expenditures and sales above the county's bid threshold, the purchasing agent must solicit sealed bids by public notice inserted at least once in a newspaper of county-wide circulation five days prior to the final date for submitting bids, or by posting notices on a public bulletin board in the county courthouse. The purchasing agent also should solicit bids by mailing requests to prospective suppliers when necessary or desirable. All notices must include a general description of the commodities or contractual services to be purchased or property to be sold, and state where bid blanks and specifications may be obtained and the time and place for opening bids. T.C.A. § 5-14-108(c)(3), (4) and (5). All sealed bids must be opened publicly at the time and place fixed in the advertisement. Each bid must be recorded with the names of the bidders, amounts of their bids, and the name of the successful bidder, and shall, after the award of contract or order, be open to public inspection. T.C.A. § 5-14-108(I).

Sale of Surplus Property—All sales of county-owned property, real and personal, which has become surplus, obsolete or unusable must be made by public auction, or by sealed bid, in the discretion of the purchasing agent. The purchasing agent must give public notice of the auction by publishing at least once in a newspaper of countywide circulation or by posting on a public bulletin board in the county courthouse at least five days prior to the auction, specifying the date, time, place, property to be sold, and terms of the auction. T.C.A. § 5-14-108(o).

Exemptions from Competitive Bidding Requirements—Certain contracts and purchased items are exempt from the competitive bidding requirements. These exemptions are set out on T.C.A. § 5-14-108, as follows:

- Professional service contracts (legal services, auditing by certified public accountants, and similar services) are not to be based on competitive bids but instead must be awarded based on recognized competence and integrity; the county is not prohibited from interviewing eligible persons or groups to determine their capabilities.
- The county may purchase materials, supplies, commodities, and equipment from any federal, state, or local government unit or agency without conforming to the competitive bidding requirements.
- Competitive bids are not required for services for which the rate or price is fixed by a public authority authorized by law to fix such rates or prices.
- The county legislative body, by resolution, may exempt perishable commodities from sealed or competitive bidding requirements when they are purchased in the open market.
- Effective May 26, 2010 Public Chapter 974 authorizes Washington County, subject to a two-thirds vote of the county legislative body, to opt out of bidding requirements of the county purchasing law for the purchase of group health insurance contracts for county employees and officials.

Checks and Balances under the 1957 Law

Reference Number: CTAS-901

This act contains the following provisions which are designed to ensure the integrity of the purchasing system:

- Written requisitions are required before any purchase can be made. Requisitions must be signed by the head of the department, office, or agency requiring the articles or services. Original requisitions must be kept in the office of the purchasing agent. T.C.A. § 5-14-108(k)).
- Except for emergencies, purchases and contracts are not awarded unless first certified by the director of accounts and budgets or other county official or employee in charge of the central accounting records. This certification insures that the encumbered balance in the appropriation is sufficient to cover the expense. T.C.A. § 5-14-109.
- Each purchase order or contract issued or executed must be evidenced by a written order signed by the purchasing agent. T.C.A. § 5-14-111.
- The county is liable for the payment of all purchases made in accordance with the provisions of this act, but shall not be liable for the payment of purchases made contrary to its provisions. T.C.A. § 5-14-113.

Additional Statutory Provisions

Reference Number: CTAS-902

The County Purchasing Law of 1957 contains specific provisions which must be followed when making purchases on behalf of the county. These provisions, set out in T.C.A. § 5-14-108, are as follows:

- All bids, purchase orders, and other documents pertaining to the award of contracts must be retained for five years. T.C.A. § 5-14-108(g).
- If all bids received are for the same unit price or total amount, the purchasing agent may reject all bids and purchase the supplies, materials, equipment or contractual services in the open market as long as the price paid does not exceed the bid price. T.C.A. § 5-14-108(h).
- All contracts must be approved as to form by the county attorney, and the original of long-term contracts must be filed with the county clerk. T.C.A. § 5-14-108(j).
- Purchases cannot be made from anyone whose business tax or license is delinquent. T.C.A. § 5-14-108(l).
- Commitments for the purchase of materials, supplies equipment and contractual services which extend beyond the end of the current fiscal year must be authorized by resolution of the county legislative body. T.C.A. § 5-14-108(m).

Conflict of Interest under the 1957 Law

Reference Number: CTAS-903

In 2022, the Legislature enacted Public Chapter 700, effective March 18, 2022. The County Purchasing Law of 1957 now contains a conflict of interest provision much like Tenn. Code Ann. § 12-4-101, the general conflict of interest statute.

Tenn. Code Ann. § 5-14-114 now provides in part:

(a) The county purchasing agent, members of the county purchasing commission, members of the county legislative body, and other officials of the county shall not:

(1) Have a direct interest in a contract or purchase order for supplies, materials, equipment, or contractual services used by or furnished to a department or agency of the county government. As used in this subdivision (a)(1), "direct interest" means a contract with such person personally or with a business in which such person is the proprietor, a partner, or the person having the controlling interest in the business; "controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by a single individual or corporation;

(2) Have an indirect interest in the purchase of supplies, materials, equipment, or contractual services for the county unless the person publicly acknowledges the interest. A person who is not a member of a governing body and who is required to publicly acknowledge an indirect interest must do so by reporting the interest to the office of the county mayor to be compiled into a list that must be maintained as a public record. As used in this subdivision (a)(2), "indirect interest" means a contract in which a person is interested, but not directly so, and includes contracts where the person is directly interested and is the sole supplier of goods or services in the county; or

(3) Accept or receive, directly or indirectly, from a person, firm, or corporation to which a contract or purchase order may be awarded, by rebate, gift, or otherwise, money or anything of value whatsoever, or

a promise, obligation, or contract for future reward or compensation.

(b) If an official subject to subsection (a) violates subsection (a), the official shall forfeit all compensation earned by the official under the contract and is removed from office. An official removed from office pursuant to this section is ineligible for the same or similar position for a period of ten (10) years following the date of the violation.

See Op. Tenn. Atty. Gen. 94-073 (June 16, 1994) (in counties that have adopted the County Purchasing Law of 1957, there is a blanket prohibition against the acceptance of gifts of any value by county officials from any company to which a contract may be awarded; depending upon the circumstances, the acceptance of such gifts may constitute the criminal offense of official misconduct).

County Financial Management System of 1981

Reference Number: CTAS-904

The County Financial Management System of 1981 (CFMS of 1981) is one of the two optional general law statutes of local application that a county may adopt to centralize the county's purchasing functions. The system is similar to the 1957 acts; however, under this act the county operates under one act rather than three separate acts. Furthermore, unlike the 1957 acts, the school funds are managed under this system just like all other county funds. The commissioner of education may remove the school department if records are not maintained properly and timely. T.C.A. § 5-21-124. The County Financial Management System of 1981—

- Is found in T.C.A. §§ 5-21-101 through 5-21-130.
- Provides for the consolidation of financial functions and establishment of a financial management system for all county funds operated through the county trustee.
- Creates a department of finance to administer the finances of the county and all funds handled by the trustee, in conformance with generally accepted principles of governmental accounting and rules and regulations established by the state comptroller of the treasury, state commissioner of education and state law. T.C.A. § 5-21-103.
- Allows the county to choose between two organizational options for purchasing.
- Must be installed within 13 months, beginning on July 1 of the fiscal year after its adoption. T.C.A. § 5-21-127.
- Requires approval by a two-thirds vote of the county legislative body or a majority of the voters in a referendum in order to be effective in any county. T.C.A. § 5-21-126.

Applicability to the Department of Education. School funds are managed centrally under this system just like all other county funds. The commissioner of education may remove the school department if records are not maintained properly and timely. T.C.A. § 5-21-124.

Department of Finance

Reference Number: CTAS-905

This act creates a department of finance to administer the finances of the county for all funds handled by the county trustee. The department of finance is under the supervision of a director of finance and subject to the policies and regulations adopted by a county financial management committee. Generally the finance department is responsible for purchasing, accounting, budgeting, payroll, cash management, and other fiscal matters of the county. T.C.A. § 5-21-103. The specific provisions setting out the functions of the finance department can be found in the following statutes:

- Budgeting—T.C.A §§ 5-21-110 through 5-21-114.
- Accounting and Fiscal Procedures— T.C.A. §§ 5-21-115 and 5-21-116.
- Payroll Account—T.C.A. § 5-21-117.
- Purchasing—T.C.A. §§ 5-21-118 through 5-21-120.
- Conflict of Interest/Improper Gifts—T.C.A. § 5-21-121.
- Compensation of Committee Members—T.C.A. § 5-21-122.

Financial Management Committee

Reference Number: CTAS-906

Under this system there is a county financial management committee. The committee consists of the county mayor, supervisor of highways, director of schools, and four (4) members elected by the county

legislative body. The four elected members need not be members of the county legislative body. T.C.A. § 5-21-104 (b). The financial management committee establishes and approves policies, procedures, and regulations implementing a sound and efficient financial system for administering the funds of the county. T.C.A. § 5-21-104 (e). The county legislative body, by resolution, either may create the following committees or it may authorize the financial management committee to assume functions of any or all of the following special committees: (1) budget committee, (2) investment committee, and (3) purchasing committee. T.C.A. §§ 5-21-104 (e) and 5-21-105.

Director of Finance

Reference Number: CTAS-907

The finance director oversees the operation of the department of finance and installs and maintains a purchasing, payroll, budgeting, accounting, and cash management system for the county. T.C.A. § 5-21-107.

Appointment/Dismissal—The finance director is appointed by the financial management committee (no approval required), and is considered for all purposes an employee of the county. The financial management committee may dismiss the director, subject to the approval of the county legislative body. T.C.A. § 5-21-106.

Qualifications—The finance director must have a minimum of a bachelor of science degree, with a minimum of 18 quarter hours in accounting; however, the committee may select a person who does not have the foregoing qualifications if the person has at least two years of acceptable experience in a related position or an equivalent number of related courses. T.C.A. 5-21-106.

Surety Bond—The finance director must have a blanket bond in the amount not less than \$100,000 for the faithful performance of the director's duties and of the employees of the department. The premium for this bond is paid from funds appropriated to the finance department for this purpose. T.C.A. § 5-21-109.

Compensation of Director of Finance—The financial management committee establishes the compensation of the director of finance with the approval of the county legislative body T.C.A. § 5-21-106(c).

Personnel—The finance director is authorized to hire personnel for the finance department within the amounts provided in the budget. Written job requirements for department personnel are to be recommended by the director and approved by the financial management committee. T.C.A. § 5-21-107(d). A person employed by the finance department is to be recommended by the finance director and approved by the financial management committee to serve as deputy director of finance. The person employed for this position performs the duties and responsibilities that are assigned by the finance director. T.C.A. § 5-21-108.

Duties of the Director of Finance—The following are duties of the finance director which are related to purchasing and which apparently are to be performed by the finance director regardless of whether a separate purchasing agent is appointed under the act:

- Accepting requisitions by the department, agency, or official and if such supplies are not currently on hand, transmitting the requisition to the purchasing agent. T.C.A. § 5-21-119(b)(6).
- Verifying budget appropriations before authorizing a purchase. T.C.A. § 5-21-119(b)(6).
- Approving invoices for payment that are properly authorized and do not exceed the unencumbered balance of the allotments or appropriations against which they are chargeable. T.C.A. §§ 5-21-115(b)(2) and 5-21-119(b)(6).
- Paying invoices and obligations of the county as provided by the statutes. T.C.A. § 5-21-119(b)(6).
- Issuing disbursement warrants for approved obligations. T.C.A. § 5-21-115(b)(3).
- Establishing a system of preaudit of invoices, purchase orders, or other documents, including a comparison with any encumbrance document previously posted or filed authorizing the obligation. T.C.A. § 5-21-115(b)(2).

Purchasing System

Reference Number: CTAS-908

All county purchasing is handled centrally under the County Financial Management System of 1981. The specific provisions regarding purchasing under the CFMS of 1981 are found in T.C.A. §§ 5-21-118 through 5-21-120. The financial management committee, with the assistance of the purchasing agent, is to establish a purchasing system for the county. The system must provide among other procedures the following:

1. The purchasing agent shall review all contracts or purchases for biddable supplies, materials, equipment, and other needs of the county;
2. No purchase or contract can be made when the bid prices exceed the current market price for the same merchandise or service;
3. Purchases and contracts must be awarded based on the lowest and best bid; and
4. Specifications development shall be made by the department, agency, or official to receive the merchandise, construction or service. T.C.A. § 5-21-119.

Purchasing Agent. The finance director or a deputy appointed by him or her serves as the county purchasing agent unless the county legislative body establishes a separate purchasing department and appoints a purchasing agent. If the county legislative body approves a separate purchasing department and a purchasing agent is hired, all duties and responsibilities relative to purchasing are removed from the finance director. T.C.A. § 5-21-118.

Duties of the Finance Director/Purchasing Agent. The duties related to county purchasing are performed by the finance director or his or her designee (unless a separate purchasing department is created and a purchasing agent is appointed). The purchasing agent's duties are as follows:

- Contracting, purchasing, or obligating the county for supplies, material, equipment, contractual services, rental of machinery, buildings, or equipment. T.C.A. § 5-21-118(b)(1).
- Transferring materials, supplies, and equipment between county offices or agencies. T.C.A. § 5-21-118(b)(1).
- Supervising the storeroom or warehouse. T.C.A. § 5-21-118(b)(2).
- Contracting for building construction and purchase of land. T.C.A. § 5-21-118(b)(3).
- Public sale of all surplus materials, equipment, buildings, and land. T.C.A. § 5-21-118(b)(4).
- Reviewing all contracts and purchases for biddable supplies, materials and equipment, and other needs of the county. T.C.A. § 5-21-119(b)(1).
- Reviewing specifications and changes to allow for maximum competition. T.C.A. § 5-21-119(b)(5).
- Preparing formal and informal bids. T.C.A. § 5-21-119(b)(5).
- Collecting sealed bids and opening bids publicly. T.C.A. § 5-21-119(b)(5).
- Evaluating bids (and submitting bids for approval by the financial management committee if required by the committee). T.C.A. § 5-21-119(b)(5).

Competitive Bidding under the 1981 Law

Reference Number: CTAS-909

The rules concerning bidding under the County Financial Management System of 1981 are set out in T.C.A. § 5-21-120, and do not provide the level of detail as is found in the County Purchasing Law of 1957. The details for the competitive bidding process under this act must be set out in the policies and procedures established by the financial management committee with the assistance of the purchasing agent.

Bid Thresholds—The financial management committee sets the dollar limitation over which formal competitive bids are required. This amount is not to exceed the amount authorized under state law for the highway and education departments or other such amounts as established by law. T.C.A. § 5-21-120(a).

Biddable Items—"Biddable items" means any need of the county where more than one bidder or contractor in the county's trade area can provide the material or service. Specifications cannot be written to exclude vendors and contractors or limit the bidding to a specific bidder or contractor. T.C.A. § 5-21-120(b).

Specifications Development—The development of specifications is to be made by the department, agency, or official to receive the merchandise, construction, or service. The specifications must be reviewed by the purchasing agent and changed as necessary to allow for maximum competition of prospective bidder. T.C.A. § 5-21-119(b)(4) and (5).

Sale of Surplus Property—Under this act, the finance director/purchasing agent is responsible for the public sale of all surplus materials, equipment, buildings, and land. T.C.A. § 5-21-118(b)(4).

Checks and Balances under the 1981 Law

Reference Number: CTAS-910

The County Financial Management System of 1981 contains the following provisions which are designed to ensure the integrity of the purchasing system:

- The finance director must verify budget appropriations before authorizing a purchase. T.C.A. § 5-21-119(b)(6)(B).
- The finance director must establish a system of preaudit of invoices, purchase orders, or other documents, including a comparison with any encumbrance document previously posted or filed authorizing the obligation. T.C.A. § 5-21-115(b)(2).
- The finance director approves for payment only those invoices that are properly authorized and do not exceed the unencumbered balance of the allotments or appropriations against which they are chargeable. T.C.A. § 5-21-115(b)(2).
- Before any obligation against the county can be paid or any disbursement warrant or voucher issued, a detailed invoice, receivable copy of the purchase order, or other document indicating receipt of the merchandise or service is to be approved by the head of the office, department, or agency for which the obligation was made and be filed with the finance director. T.C.A. § 5-21-115(b)(1).
- The county is liable for payment of all purchases and supplies, materials, equipment and contractual service made in accordance with the provisions of the CFMS of 1981, but is not liable for payment of such purchases made contrary to it unless such item is specifically approved by the financial management committee. T.C.A. § 5-21-120(c).
- The director of finance is required to make a report showing the condition of the budget at the end of each month and present the report to the county legislative body. Each department head, elected official, and board member is furnished copies of monthly reports for their respective departments as soon as they are available. T.C.A. § 5-21-114(a).

Conflict of Interest under the 1981 Law

Reference Number: CTAS-911

In 2021, the Legislature enacted Public Chapter 472, effective May 18, 2021. The County Financial Management System of 1981 now contains a conflict of interest provision much like Tenn. Code Ann. § 12-4-101, the general conflict of interest statute.

Tenn. Code Ann. § 5-21-121 now provides in part:

(a) The director, purchasing agent, members of the committee, members of the county legislative body, other officials of the county, members of the board of education, members of the highway commission, and employees of the finance department and purchasing department shall not have a direct interest in the purchase of supplies, materials, equipment, or contractual services for the county.

(b) No firm, corporation, partnership, association or individual furnishing any such supplies, materials, equipment or contractual services, shall give or offer, nor shall the director or purchasing agent or any assistant or employee accept or receive directly or indirectly from any person, firm, corporation, partnership or association to whom any contract may be awarded, by rebate, gift or otherwise, any money or other things of value whatsoever, or any promise, obligation or contract for future reward or compensation.

"Direct interest" means a contract with a person personally or with a business in which the person is the proprietor, a partner, or the person having the controlling interest in the business. "Controlling interest" means sufficient ownership in a business or company to control policy and management, including the ownership or control of the largest number of outstanding shares owned by any single individual in a business or company.

In addition to direct interests, those individuals named in the statute can not have an indirect interest in the purchase of supplies, materials, equipment, or contractual services for the county unless the person publicly acknowledges the interest. A person who is not a member of a governing body and who is required to publicly acknowledge an indirect interest must do so by reporting the interest to the office of the

county mayor to be compiled into a list that must be maintained as a public record. As used in this statute, "indirect interest" means a contract in which a person is interested, but not directly so, and includes contracts where the person is directly interested and is the sole supplier of goods or services in the county.

Penalties for Violation of the Act

Reference Number: CTAS-912

Any official or employee of the county who fails or refuses to perform the duties required by the County Financial Management System of 1981 or who otherwise fails to conform to the requirements of the act commits a Class C misdemeanor and is subject to removal from office or position. T.C.A. § 5-21-125.

Centralized Purchasing by Private Act

Reference Number: CTAS-913

Another method available to county governments to centralize their purchasing functions is the adoption of private acts. Some counties have adopted private acts passed by the General Assembly which provide for centralized purchasing. Other counties have adopted private acts that contain purchasing provisions for various county departments without centralizing the functions. These private acts only apply to the county named in the private act.

Source URL: <https://www.ctas.tennessee.edu/eli/centralized-purchasing-counties>