

VLCT Model Purchasing Policy

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VLCT Model Purchasing Policy



Agenda

Today's Agenda:

- ❑ Discuss federal grant procurement guidelines
- ❑ Walk through the components of VLCT's model policy



Federal and State Grant Requirements

New guidance for federal grants: the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

(See <http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf> for the complete document)

Combines and supersedes guidance from a variety of circulars



Federal and State Grant Requirements

Relative to development of a purchasing policy, pay particular attention to:

- **Definitions in Sections 200.0 to 200.99**
- **Procurement Standards in Sections 200.318 to 200.326**



Federal and State Grant Requirements



Federal and State Grant Requirements

General Standards:

- Use your own documented procedures if they conform to these federal standards
- Maintain adequate oversight over contractors
- Avoid unnecessary or duplicative purchases
- Use shared services



Federal and State Grant Requirements



“What conflict of interest?!
I work here in my spare time.”

Federal and State Grant Requirements

General Standards (continued):

- **Maintain written standards of conduct**
 - **Can't participate in any step of process if real or apparent conflict of interest**
 - **No gratuities or favors from contractors**
- **Document what you did and why**



Federal and State Grant Requirements

Competition:

- **Written procedures that provide for full and open competition**
- **Prequalified vendor lists must be current and include a sufficient number of qualified sources to ensure full and open competition**



Federal and State Grant Requirements

Methods of Procurement:

- **Micro-purchases**
 - **Less than \$3,000 (or \$2,000 for construction purchases under Davis Bacon Act)**
 - **No competitive quote if you believe price is reasonable**



Federal and State Grant Requirements

Methods of Procurement:

■ Small Purchases

- **Less than Simplified Acquisition Threshold (SAT)**
- ***Currently \$150,000 found under definitions in the Federal Acquisitions Regulations (FAR) manual at www.acquisition.gov***
- **Quotations from “reasonable number of sources”**



Federal and State Grant Requirements



Federal and State Grant Requirements

Methods of Procurement:

- **Fixed Price, Lowest Bid**
 - **Use formal sealed bid process**
 - ***Must have two or more responsible bidders***
 - **Must be publicly advertised and bids publicly opened**
 - **Award made in writing to lowest bidder**



Federal and State Grant Requirements

Methods of Procurement:

- **Fixed or Cost Reimbursement**
 - **Use competitive bid process**
 - ***Used when conditions not appropriate for sealed bid process***
 - **Solicit proposals from adequate number of qualified sources**
 - **Award made to bidder with most advantageous proposal**



Federal and State Grant Requirements

Methods of Procurement:

■ Single Source

- Used when items available from only one source
- Public exigency or emergency
- Awarding agency gives approval
- Inadequate competition



Federal and State Grant Requirements

Other Considerations:

- **Minority, women-owned and labor surplus businesses should be used when possible**
 - <http://vtranscivilrights.vermont.gov/doing-business/dbe-center/directory>
 - <http://bgs.vermont.gov/facilities/mwbe>
 - <https://www.sam.gov>



Federal and State Grant Requirements

Other Considerations:

- Price or cost analysis for all purchases in excess of \$150,000 (SAT)
- See HUD Guide at http://portal.hud.gov/hudportal/HUD?src=/program_offices/cpo/grantees/cstprice
- Price analysis when there is competition: develop estimate prior to issuing RFP and compare bids to estimate



Federal and State Grant Requirements

Other Considerations:

- **Cost analysis when there is no competition: must determine cost elements and profit**
- **Costs must be:**
 - **Allowable (see cost principles sections 200.400 to 200.512)**
 - **Allocable (essentially overhead or indirect costs – see cost principles)**
 - **No cost plus percentage of cost!**



Federal and State Grant Requirements



Federal and State Grant Requirements

- **Federal or pass-through agency review (over SAT) of technical specs as requested**
- **Procurement documents in cases where:**
 - ✓ **Not following standards**
 - ✓ **Only one bid**
 - ✓ **Specs for a brand name product**
 - ✓ **Didn't choose low bid**
 - ✓ **Contract modified**



Federal and State Grant Requirements

Other Considerations:

- **Bonding requirements**
 - ✓ **Bid guarantee of 5% of bid price**
 - ✓ **Performance bond of 100% of contract price**
 - ✓ **Payment bond of 100% of contract price**



VLCT Model Policy



"Do you have anything for the same price that doesn't cost so much?"

VLCT Model Policy

The basic components of the model policy are:

- **Purpose and general information**
- **Purchasing authority**
- **Bid process**
- **Exceptions**



VLCT Model Policy

Purpose and General Information:

- **Why have a purchasing policy?**
 - **Highest quality for lowest price**
 - **Financial control**
 - **Fair and equal opportunity**
 - **Increase public confidence**



VLCT Model Policy

Purpose and General Information:

- **Affirmative action**
 - **Minority and women-owned businesses included in bid lists (reference in previous slide)**
- **Local preference**
 - **But not for federal or pass-through grant-funded purchases**
 - **Or if results in unreasonable prices**



VLCT Model Policy

Purpose and General Information:

- **Code of conduct**
 - **Define conflicts of interest**
 - **If you have a conflict of interest, do not participate in decision or process and you must disclose that conflict**
 - **Do not solicit or accept gratuities**
 - **Disciplinary action for noncompliance**



VLCT Model Policy

Purpose and General Information:

- **Documentation**
 - Reason for procurement method chosen
 - Basis for award and contract pricing
 - Significant decisions relating to purchase
 - Period for record retention (either according to grant provisions or retention schedules set by Vermont State Archivist)



VLCT Model Policy

Purchasing Authority:

- **Assign responsibility for each level of purchase**
 - **Who can make purchases**
 - **What are limitations on types of purchases**
 - **What are price limitations**



VLCT Model Policy

Purchasing Authority:

Define levels of purchases

- **Incidental (may be purchased without prior approval but within budget parameters)**
- **Minor (requiring prior approval of mid-level authority such as department head, administrator or manager)**

Major (requiring prior approval of selectboard)



VLCT Model Policy

Purchasing Authority:

- **Federally funded must follow Uniform Guidance as outlined in prior slides**
- **Levels of purchases as well as specific processes must be understood and followed**
- **Also must follow any other guidance prescribed in contract with federal or state funding agency**



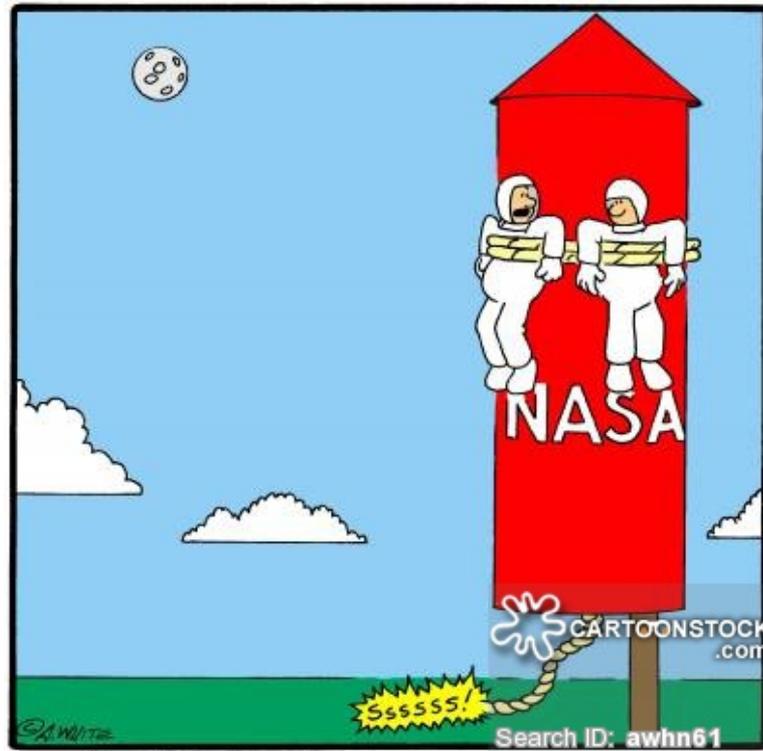
VLCT Model Policy

Purchasing Authority:

- **Considerations when setting bid threshold**
 - **Federal guidelines for grant-funded purchases**
 - **Cost in time and materials**
 - **Look at other thresholds from other towns/cities**
 - **Transparency concerns**



VLCT Model Policy



**"I wish that just once the contract
would go to someone besides
the lowest bidder."**

VLCT Model Policy

Bid Process:

- **Sealed bid if over the bid threshold**
 - **Issue RFP to appropriate vendors**
 - **Notices in 3 public locations, advertisement in newspaper**

See VLCT Model Policy for language



VLCT Model Policy

Bid Process:

- Outline the minimum bid specifications
- Specify minimum bid submission requirements
- Outline bid opening process
- List minimum criteria for bid selection
- Dealing with change orders

See VLCT Model Policy for guidance



VLCT Model Policy

Exceptions to Sealed Bid Process:

- **Competitive bids**
 - **Same process as sealed bids without the sealing and price need not be the primary factor in selection**
- **Sole source purchases**
- **Recurring purchases**
 - **Provision for bid process for repeat purchases over the year**



VLCT Model Policy

Exceptions to Sealed Bid Process:

- **Emergency purchases**
- **Professional services**
 - **Those requiring a high level of professional judgement and discretion**

Grant-funded purchases that fall in the exceptions category and exceed the SAT of \$150,000 will require pricing or cost analysis



VLCT Model Policy



Questions



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