

## Public Procurement – Introduction and First Steps

### Public Procurement Definition

Public procurement is the process local, state, and federal government agencies use to acquire necessary goods and services through purchases from for-profit and not-for-profit businesses. Public procurement laws and regulations *must be followed to ensure taxpayer money is properly spent, and goods/services responsibly purchased.*

### Public Procurement Policy

Federal regulations require that documented procurement procedures be in place, consistent with State, local, and tribal laws and regulations, and *must conform to (be the same or stricter than) the standards identified in the Uniform Guidance -- 2 CFR 200.317 through 200.327, [Electronic Code of Federal Regulations \(eCFR\)](#).*

A public procurement policy *describes the process and defines the legal requirements of purchasing goods and services* from suppliers, vendors, and contractors. Purchasing is based on pre-negotiated fair prices and a pre-determined set of terms.

### Procurement Policy Components

- Policies/procedures and code of conduct including:
  - Statement to comply with all federal laws and regulations applicable to federal grant funds,
  - Detailed processes and internal controls to be used (including purchasing approvals),
  - Procedural and administrative details on how goods and services are procured, awarded, monitored, and paid.
- Types and methods of procurement – Which methods will your entity use? See chart below.
- Award and monitoring of contracts for goods and services
  - Remember to add process to check SAM.gov for each non-federal contractor or subrecipient when using federal funds.
- Records and documentation requirements
  - Describe the process for documenting procurement transactions.

## First Steps

When a purchase of goods or services has been approved, the entity will need to answer the following:

- Is a subrecipient or contractor involved? Complete the Subrecipient vs. Contractor Checklist to make an accurate determination and maintain documentation of the decision. If funds are being sub-awarded to a subrecipient, purchases by the subrecipient need to follow its policies or the federal regulations (whichever is more restrictive) – not the local government's policy. A risk assessment form also needs to be completed for a subrecipient.
- What is the total cost (or estimated cost)? Follow the guidance in the Procurement Types and Thresholds chart below to determine how to proceed. Depending on the cost, you may need to obtain quotes or follow a formal procurement process.
- Has SAM.gov been checked for potential vendors, contractors, or subrecipients to see if they have been suspended or disbarred? This is required when the acquisition of goods or services involves federal funds. Document the process by printing or saving the screen.

The Procurement Types and Thresholds chart on the next page lists the informal and formal procurement methods and criteria.

For additional information, please see the [Procurement Best Practices webinar](#), which provides further information on procurement system controls and procurement standards.

## Procurement Types and Thresholds (2 CFR 200.320, 48 CFR 2)\*

Informal		Formal <i>(If over \$250,000, formal methods required.)</i>	
<b>Micro Purchase</b>	<ul style="list-style-type: none"> <li>Up to \$10,000 -- (Can increase threshold up to \$50,000 with self-certification justified and documented.)</li> <li>No required bid processes or price quotes</li> <li>Distribute purchases equitably among suppliers</li> </ul>	<b>Competitive Procurements-</b> Public solicitation for a firm fixed price or cost reimbursement contract	<ul style="list-style-type: none"> <li>Threshold (SAT) at \$250,000</li> <li>2 or more bidders</li> <li>Selection based on most advantageous offer, including price and other factors (best value)</li> <li>May be used with architectural and engineering contracts</li> </ul>
<b>Small Purchase</b>	<ul style="list-style-type: none"> <li>\$10,000 to \$250,000 -- [\$250,000 is known as the Federal Simplified Acquisition Threshold (SAT)]</li> <li>No required bid processes and cost/price analysis</li> <li>Obtain adequate number of price or rate quotations (can use online price list)</li> <li>Quotations can be written or verbal</li> </ul>	<b>Sealed Bid –</b> Public solicitation for a firm, fixed price contract	<ul style="list-style-type: none"> <li>Threshold (SAT) at \$250,000</li> <li>Selection based on price</li> <li>2 or more bidders</li> <li>Preferred method for construction contracts</li> <li>Specifications defined</li> </ul>
		<b>Sole Source-</b> Public solicitation firm, fixed price or cost reimbursement contract	<ul style="list-style-type: none"> <li>No threshold</li> <li><u>Need one or more of the following to use this method:</u></li> <li>Can utilize micro-purchase threshold</li> <li>Item only available from one source</li> <li>Competition inadequate after solicitation attempts</li> <li>Public emergency will not permit delay in purchase</li> <li>Awarding agency approval</li> </ul>
		<b>Cooperative Purchasing Agreement</b>	<ul style="list-style-type: none"> <li>No threshold</li> <li>Contracts which are already negotiated (such as the master service agreement for ARPA grant compliance)</li> </ul>

**\*Follow and conform to the legal requirements of the more restrictive policy (federal or local).**

Document the steps you have taken, and retain records (quotes, notes from phone calls, bids, invoices).