

PURCHASING GOODS AND SERVICES WITH FEDERAL GRANT FUNDS: AN OVERVIEW

This overview summarizes the standards for purchasing goods and services with federal grant funds that are established by the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (in brief, the Uniform Guidance).

General Procurement Standards

The Uniform Guidance establishes the following general standards for the acquisition of goods and services with federal grant funds:

Standards of Conduct

- DePaul employees, officers, or agents may not solicit or accept gratuities, favors, or anything of monetary value from contractors (a “contractor” is any non-federal entity from which DePaul purchases property or services needed to carry out a federal grant award).
- University policies covering conflicts of interest and governing the actions of employees engaged in the selection, award, and administration of contracts must be followed. No employee may participate in the selection, award, or administration of a contract supported by a federal award if he/she has a real or apparent conflict of interest.

Economy and Efficiency

- Those spending federal grant funds should avoid purchasing unnecessary or duplicative items.
- Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase when possible.
- Federal excess and surplus property should be used in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.
- Where appropriate, a cost analysis should be made to determine the most economical approach (e.g., an analysis comparing lease versus purchase options).

Full and Open Competition

- All procurement transactions must be conducted in a manner providing full and open competition, without any of the following: placing unreasonable requirements on firms for them to qualify to do business; requiring unnecessary experience and excessive bonding; noncompetitive pricing practices; noncompetitive contracts to consultants on retainer; organizational conflicts of interest; specifying only a “brand name” product; or arbitrary actions.

- All solicitations for proposals (RFPs) must incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured; and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.
- DePaul must ensure that all prequalified lists of providers are current and include enough qualified sources to ensure maximum open and free competition.
- DePaul must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

Screening of Contractors

- Contracts must be awarded only to responsible entities possessing the ability to perform successfully under the contract terms and conditions. Consideration must be given to matters such as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources, as well as whether the contractor is suspended or debarred from receiving federal funds.

Documenting Procurement Decisions

- Sufficient records must be maintained to detail the history of a procurement. These include rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Restrictions on Certain Types of Contracts

- Because they can result in cost overruns, "time and materials" type contracts may be issued only after a determination that no other contract is suitable, and if the contract includes a ceiling price that the contractor exceeds at its own risk. (A time and materials contract is sometimes issued when it is difficult to arrive at an accurate cost estimate for work to be performed. Rather than a fixed price for the work, fixed rates for labor and materials are agreed upon. The open-ended nature of such a contract imposes financial risks on the party issuing the contract. For that reason, many federal agencies prohibit them or constrain their use.)
- The "cost plus a percentage of cost" method of contracting is prohibited. (The added "percentage of cost" is typically profit earned by the vendor/contractor. Such contracts may encourage wasteful spending since the higher the cost, the more the vendor/contractor profits.)

Ongoing Oversight of Awarded Contracts

- Once a contract is awarded, oversight must be maintained to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

- If a “time and materials” type contract is issued, DePaul must assert a high degree of oversight to maintain reasonable assurance that the contractor is using efficient methods and effective cost controls.

Methods of Procurement

In addition to these general standards, the Uniform Guidance outlines specific methods of procurement that must be followed, depending upon the purchase amount:

Micro Purchase

According to the Uniform Guidance, a “micro purchase” is a purchase of supplies or services that may be made without the use of price comparisons or formal competition as long as the costs incurred are fair and reasonable. The micro-purchase threshold is set by the federal government and is currently \$10,000, as established by the 2018 National Defense Authorization Act.

Small Purchase

A “small purchase” is a purchase of supplies or services whose cost is greater than the micro-purchase threshold but less than the simplified acquisition threshold. Currently, this range is \$10,000 to \$150,000. When making small purchases, price or rate quotations should be obtained from three qualified sources and retained to document the procurement decision.

Major Purchase

The term “major purchase” is used here as a convenience to denote purchases of goods or services that exceed the simplified acquisition threshold of \$150,000. At this level, a procurement decision must be based on a formal comparison of costs obtained through detailed competitive procedures. Contractor selection must also be informed by a cost analysis conducted independently by the University.