

GUIDANCE ON MAKING MICRO, SMALL, AND MAJOR PURCHASES WITH FEDERAL GRANT FUNDS

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (in brief, the Uniform Guidance) establishes procedures that must be followed when purchasing goods and services with federal grant funds. These procedures are described below, with reference to three types of purchases, determined by the price level. In reviewing the information that follows, please keep in mind the following:

- At DePaul, these federally required procedures apply only when federal grants funds are used to purchase goods or services. Those managing grants from non-federal sources may simply follow DePaul's [Purchasing & Bidding Requirements](#) unless the sponsor imposes different purchasing standards. Those managing federal grants need to be aware of the points of overlap between DePaul's purchasing standards and the federal requirements described below since both apply.
- These purchasing procedures do not apply to federal subawards, which are issued to enable other organizations to collaborate with DePaul on achieving the goals and objectives of a grant project. If a subaward is included in the proposal budget, it may be issued to the organization named without price comparisons as long as the costs involved are reasonable and DePaul's guidelines for issuing and monitoring federal subawards are followed.
- Naming a supplier of goods or services in the budget of a federal grant proposal does not make the purchase exempt from these procedures or establish that the supplier is a sole source.

When acquiring goods or services with federal grant funds, the purchasing procedures vary with the price range:

- **Micro purchase** procedures apply to purchases of less than \$10,000.
- When a purchase is more than \$10,000 but less than \$150,000, **small purchase** procedures apply.
- **Major purchases** (those more than \$150,000) involve a third, more complex set of procedures that are described below.

MICRO PURCHASES (<\$10,000)

For purchase of less than \$10,000, it is not necessary to make documented price comparisons as long as the costs being incurred are reasonable. To be reasonable, a cost should not exceed what a prudent person would pay under the circumstances.

Purchases may not be "split" (placing two orders for the same goods or services instead of one) to stay under the \$10,000 threshold.

Keep in mind that, by DePaul policy, a purchase order is required for all purchases over \$3,500. (See DePaul's [Purchasing & Bidding Requirements](#).)

SMALL PURCHASES (>\$10,000 but <\$150,000)

Small purchases differ from micro purchases (those < \$10,000) in that “price or rate quotations must be obtained from an adequate number of qualified sources” (Uniform Guidance 200.320). However, the more formal, detailed procedures for obtaining and evaluating price quotations required for major purchases (those > \$150,000) do not apply.

Written Quotations

At the small purchase level, written price quotes are required, but they may be obtained through informal means: via e-mails from providers or from published catalogues or price lists (paper or digital). You may phone a supplier to request an e-mail quote or send an e-mail request for a quote if the goods or services you are purchasing are best described in writing. When relying on catalogues or price lists, simply clip or copy the relevant information.

Along with the price, the quotes you collect may contain other terms and conditions, all of which may be considered when comparing offers. These include, for example, payment terms, warranties included with the purchase, terms regarding returns/refunds, and time needed for shipping.

Number of Quotations Needed

As a general rule, three written quotes are needed. In situations where it is difficult to obtain three due to a lack of competition or a product/service that is highly specialized, two quotes are sufficient. (This should be explained briefly when the purchase order requisition is submitted.)

Documentation Needed

To document that price quotes have been obtained, include the e-mails or catalogue clippings when submitting the purchase order requisition to Procurement Services. (By DePaul [policy](#), a purchase order is required for all purchases over \$3,500.) This is done by using the “Add Comments and Attachments” button that appears during the “Checkout-Review and Submit” stage of the on-line requisition process. If you did not select the lowest price quote, briefly note what other relevant factors you considered when determining what quote offered the best overall value. If you were not able to obtain three price quotes, briefly describe why not. ORS will confirm that this documentation has been included when approving purchase orders that will be charged to federal grant funds.

Preferred Vendors

Price comparisons are not necessary if you are purchasing from one of DePaul’s [preferred vendors](#). In selecting these vendors, DePaul has already engaged in comparisons of costs and other factors to identify those suppliers that offer best value. So you may purchase from preferred vendors without making your own cost comparisons.

Sole Source

In some limited circumstances, an item or service may be available from only one source. In that case, the documentation you provide along with the purchase order will be a “sole source justification” that explains what makes the provider in question unique. (The price quoted must still be reasonable in order for it to be charged to a federal grant award.) Sole source justifications should be the exception rather than the norm. In most situations some cost comparison is possible, even if that involves comparing just two price quotes.

DePaul Competitive Bidding Requirements

These small purchase guidelines are compliant with DePaul's [competitive bidding requirements](#), which apply to purchases of more than \$25,000. DePaul's requirements call for written quotes received from multiple providers, either through contacting companies directly or review of printed/online catalogs or other materials. These criteria are met as you collect written quotations using the procedures described above.

MAJOR PURCHASES (>\$150,000)

Major purchases are acquisitions of goods or services that cost more than \$150,000. Such purchases require more formal, detailed procedures for obtaining and evaluating price quotes than small purchases do.

The guidelines for major purchases below focus on two procurement methods for such purchases that the Uniform Guidance designates as appropriate for non-construction projects: "competitive proposals" and "sole source procurement." Details concerning the "sealed bids" method recommended for construction projects can be found in [section 200.320 of the Uniform Guidance](#).

Competitive Proposals

The competitive proposals method involves:

- Developing a request for proposals.
- Publicizing the request.
- Receiving and evaluating proposals from a number of sources.
- Selecting and awarding a contract to the responsible entity whose proposal is most advantageous to the program when price and other factors considered.

These steps are described in more detail below.

Developing a Request for Proposals (RFP)

The RFP should include:

- ✓ A detailed description of the services to be performed or the items needed. (Include brand name or make-and-model requirements only if necessary to meet the needs of the project since their inclusion can limit competition.)
- ✓ An indication of when the services or items are needed.
- ✓ Instructions regarding what to include in the proposal in addition to a cost estimate. (For example, proposals to provide services could include proposed timelines, the qualifications of the personnel providing the services, a list of similar projects recently conducted, and/or a list of references.) The information requested should reflect the evaluation criteria.
- ✓ A description of the evaluation criteria that will be used to select the contractor and an indication of their relative importance. (Factors in addition to cost may be considered.)
- ✓ A deadline that provides a reasonable timeframe for proposal submissions.
- ✓ Instructions for proposal submission.

Performing a Cost or Price Analysis

The Uniform Guidance requires that recipients of federal grant awards perform a cost or price analysis for each major purchase. The idea is to develop an independent cost estimate, based on the requirements of RFP, before receiving proposals so the reasonableness of the proposals can be assessed

during the evaluation process. The process resulting in the cost estimate should be documented in writing.

Publicizing the Request

The RFP should be publicized to the fullest extent needed to promote free and open competition and to obtain viable proposals from at least three sources. The method used should bring the RFP to the attention of a pool of qualified contractors, as opposed to just targeting particular individuals or entities. Procurement Services can provide additional guidance on this, as needed.

Evaluating Proposals Received

Evaluation of proposals should be conducted by a small, knowledgeable group such as the senior project staff, rather than the Principal Investigator (PI) alone. (Keep in mind that 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. If a real or apparent conflict of interest exists, it should be reported to the Director of Compliance & Award Management, ORS.)

The evaluation process must be soundly documented in writing. The use of a grid or checklist that reflects the evaluation criteria included in the RFP is strongly recommended. Regardless of the method used, the written documentation should clearly show that all proposals adequately responding to the RFP were given serious consideration, as well as how the final decision was made.

The “competitive proposals” method of procurement, as described in the Uniform Guidance, does not require awarding a contract to the lowest bidder. Instead, the Uniform Guidance advises that the contract should be awarded “to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.” Depending on the goods or services being purchased, “other factors” could include, for example, past performance; capacity and qualifications to perform the work; warranty conditions; and/or maintenance availability. The other factors to be considered should be described in the RFP and reflected in the grid, checklist, or other such form used when conducting the evaluations.

Awarding a Contract

Contracts for good or services issued under the Uniform Guidance are required to contain certain terms and conditions, depending upon the amount and the nature of the contract. For example:

- Contracts for more than \$150,000 must include administrative, contractual, or legal remedies to be taken if a contractor violates the contract terms.
- Such contracts must also require compliance with the Clean Air Act and the Federal Water Pollution Control Act.
- Contracts of more than \$100,000 must require certification of compliance with the Byrd Anti-Lobbying Amendment.
- Contracts for more than \$10,000 must address termination for cause and for convenience, including the manner by which it will be effected and the basis for the settlement.

ORS can assist you with this developing a contract that meets these requirements.

See [Appendix II to the Uniform Guidance](#) for additional provisions that apply to construction contracts.

Documentation Needed

Written documentation of the RFP process described above must be included when submitting the purchase order requisition to Procurement Services. The best approach is to attach a PDF that contains the RFP, the cost analysis, the bids received, the completed evaluation grids, and a copy of the contract. ORS will confirm that this documentation has been included when approving purchase orders that will be charged to federal grant funds.

Sole Source Procurement

This noncompetitive approach involves the solicitation of a proposal from only one source. It may be used only when one or more of the following limited circumstances apply:

- ✓ The item is available only from a single source.
- ✓ A public exigency or emergency exists.
- ✓ The awarding agency specifically authorizes noncompetitive proposals.
- ✓ After solicitation of a number of sources, competition is determined to be inadequate.

The existence of one or more of the above conditions must be soundly documented before a sole source procurement can go forward. The documentation submitted with the purchase order requisition must explain the particular circumstances that justify the use of this noncompetitive approach.