

Procurement Guidance for Federal Pass-Through Grant Recipients

Illinois Coastal Grants are federal pass-through grants. Grantees must comply with all administrative requirements for federal grant money. This includes procurement standards. Procurement is defined as the acquisition of goods and services. Since we often get procurement-related questions, we've compiled this document to help you to understand the requirements, especially [Procurement Standards 2 CFR 200.317 – 200.328](#).

Background Information

[Uniform Administrative Requirements, 2 CFR Part 200](#)- The Uniform Administrative Requirements are a set of regulations (including procurement regulations) that apply to all non-federal entities that receive federal grant money. The Uniform Administrative Requirements are found in the Code of Federal Regulations (C.F.R.), which is a compilation of rules adopted by federal agencies. The complete Uniform Guidance can be found at: <http://bit.ly/1XutiUn>.

The Office of Management and Budget (OMB) recently consolidated the federal government's guidance on grants. If you are familiar with the old guidance and need to get up to speed, "Crosswalks" between the old and new guidance can be found at http://www.whitehouse.gov/omb/grants_docs.

The basics of procurement under federal grants

1. Ensure that your organization has a written procurement policy that applies to all procurements regardless of funding source. This policy must be consistently followed and must reflect all applicable state, local, and federal laws.
2. All procurements must be conducted in a manner that is fair, open and competitive.
3. In order to be reimbursed, all expenses must be allowable. To be allowable, they must be (1) included in the project scope and budget, (2) necessary for completion of the project, (3) reasonably priced, (4) allocated to the grant and (5) allowed under federal grant cost principles ([2 CFR 200.400 – 200.475](#)). For Coastal Grants, all costs must occur during the grant period.

What is required to be in your organization's procurement policy

1. **Record Keeping**- It is your responsibility to maintain records on each procurement. This includes (but is not limited to) rationale for the method of procurement, details on the contractor selection process, and the basis for the contract price. [§ 200.318 \(i\)](#)
2. **Procurement of Recovered Materials**- When spending federal grant funds, you must comply with the Solid Waste Disposal Act, Section 6002, and [40 CFR part 247](#). This act requires grantees to procure only items that contain the highest percentage of recycled materials practicable for items costing over \$10,000 and to take other actions to purchase sustainable materials. More information is available at <http://www.epa.gov/epawaste/conserva/tools/cpg/index.htm>.
3. **Competition**- All procurements must be conducted in a manner that is fair, open, and competitive. In order to ensure unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bid must be excluded from competing for such procurements. This means that if a firm assisted with your grant application, they cannot bid on the project. Additional examples of situations that are not allowed because they restrict competition are provided in [§ 200.319](#).

4. *A Good-Faith Effort to do Business with Minority and Women- Owned Businesses-* Grantees should strive to include minority firms, women’s business enterprises and labor surplus area firms in the small purchase process. During the competitive bidding process, you must take the following steps to assure that minority firms, women’s business enterprises, and labor surplus area firms are used when possible and are encouraged to participate. [§ 200.321](#).
These steps include:
 - Place qualified small and minority businesses and women’s business enterprises on solicitation lists and assure that small and minority businesses and women’s business enterprises are solicited whenever they are potential sources;
 - Divide total requirements into smaller tasks or quantities and establish delivery schedules which encourage participation by small and minority businesses and women’s business enterprises;
 - Use the services and assistance of the Small Business Administration (<http://www.sba.gov>) or Illinois Small Business Set Aside Program (<https://www.illinois.gov/cpo/general/Pages/Sell2Illinois.aspx>);
 - Require prime contractors, if subcontracts are used, to take the same steps listed above.
5. *Procurement Methods and Dollar Value Thresholds-* Grantees are allowed to use different procurement methods for different dollar values of purchases. Your procurement policy must be in compliance with [§ 200.320](#), which describes the minimum requirements for how micro-purchases, small purchases, and sealed-bids must be handled.
6. *Determination of Contractor Eligibility-* Federal funds cannot be given to ineligible entities. To make sure that your contractor is eligible to receive federal funds, you must check www.SAM.gov. Guidance on how to search on SAM.gov can be found here: <https://www.sam.gov/sam/transcript/Public - Identifying Excluded Entities.pdf>. Take a screenshot of the results and add it to your files. You will lose your grant funding if you award a grant-funded contract to a person or company on that list.
7. *Conflicts of Interest* – Your organization must have written standards of conduct that cover conflicts of interest and that govern the actions of employees involved in selection, award, and administration of contracts. Nobody may participate in the selection, award, or administration of a contract supported by a federally-funded grant if he or she has a real or apparent conflict of interest. [§ 200.318 \(c\)\(1\)](#)
8. *Organizational Conflicts of Interest-* All non-profits and universities that have an organizational structure that includes parent companies, affiliates, or subsidiaries must have an organizational conflict of interest policy. [§ 200.318 \(c\)\(2\)](#)
9. *Contract Provisions-* You are required to include special provisions in all contracts, including small purchases. These provisions can be found in [Appendix II to Part 200](#). Include all that are applicable.
10. *End of the Grant Purchases-* Grantees must not purchase supplies or equipment at the end of a grant that are not needed for completion of the project in order to spend down the remaining funding. These purchases are typically deemed to be unnecessary for project completion and will not be reimbursed.
11. *Contractual Oversight-* It is your responsibility to oversee contracts to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contract or purchase order. Award contracts only to responsible contractors. [§ 200.318 \(b\) & \(h\)](#)

Procurement Best Practices

In addition to the requirements above, here are some additional best practices for procurement

Before you put a procurement out for bid:

1. Review all proposed procurements to avoid unnecessary or duplicative purchases of equipment, supplies, and services. [§ 200.318 \(d\)](#)
2. Consider whether it will it save money and/or time to consolidate procurements or to break out to allow for more competition; if so, document the reason for the decision.
3. Where appropriate, perform an analysis of lease versus purchase alternatives, and other appropriate analysis to determine the most economical approach and document decision.
4. Consider shared services and entering into inter-local cooperative agreements with other governmental agencies, to foster greater economy and efficiency,
5. Perform a cost or price estimate on the procurement.
6. Explore state or local intergovernmental agreements to procure common or shared goods and services [§ 200.318 \(e\)](#)
7. Use Federal and surplus property. To reduce project costs, it is encouraged to use Federal excess and surplus property as a replacement for purchasing new equipment. [§ 200.318 \(f\)](#)

Development of a request for bids

1. Include a clear and accurate description of the technical requirements for the material, product or service to be procured, such as qualitative nature, minimum characteristics and standards for conformance. Avoid too detailed or restrictive specifications.
2. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent: description may be used.
3. Include applicable contract provisions in each purchase order or contract as required by Federal statutes and regulations