

NONPROFIT PERSPECTIVES

Changes to Federal Grant Purchasing Requirements – Are you Ready?

Purchasing standards for organizations receiving federal funding have changed under Uniform Guidance, 2 CFR 200, and the window to implement changes is quickly closing. Recipients were provided a two-year grace period following the effective date of the Uniform Guidance, which expires two full fiscal years following December 26, 2014. For organizations with a June 30th fiscal year end, this means the second full fiscal year is the year ending June 30, 2017.

Higher education, hospital and other nonprofit entities previously followed standards in A-110, and state and local governments followed A-102. While the Uniform Guidance procurement standards mirror provisions of A-102, organizations should review the new standards to ensure they are in compliance. Under the new standards, purchase methods fall into one of five categories:

- **Micro-purchases:** for purchases with an aggregate amount less than \$3,500, no competitive quotes are required if management determines the price from a qualified supplier is reasonable;
- **Small purchases:** for purchases in excess of \$3,500 and up to \$150,000, a requirement exists of quotes and/or price analysis from an adequate number of bidders (note, “adequate number” is subject to management judgment);
- **Sealed bids:** for purchases in excess of \$150,000, formal public solicitation is required, and the fixed price is awarded to the responsible bidder who conformed to all material terms and is lowest in price;
- **Competitive proposals:** for purchases in excess of \$150,000 where sealed bids are not appropriate, requires formal solicitation and the contract awarded to the responsible bidder whose proposal is most advantageous to the program, with price being one factor. Organizations utilizing this method must have a written methodology for evaluating proposals and selecting a bidder;
- **Noncompetitive proposals:** selection from proposal of only one bidder. The number of scenarios where this procurement policy is appropriate have been limited, and may include when a product is only available from one source of numerous attempts of the competitive process are unsuccessful.

Additionally, organizations are required to maintain written conflict of interest policies (both at the individual and organizational level) so that if a member of the organization has an actual or apparent conflict of interest, they are not permitted to participate in the selection, award, or administration of a contract.



Changes to Federal Grant Purchasing Requirements - Are you Ready? (continued)

During the transition period, early adopters have noted certain consistent challenges with adoption, including:

- Cultural shift resulting from new standards. Organizations may not be able to continue to select bidders based solely on past history and relationships with the organization;
- Need to obtain and retain additional levels of documentation. Organizations need to retain quotes received, as well as document and retain the rationale for selection of procurement type, basis for bidder and selection, and cost or price analysis;
- Training of new changes in requirements among purchasing staff and departments;
- Oversight of selected bidder to ensure performance in accordance with the terms, conditions and specifications of the contract

As an organization, if you haven't already, now is the time to review your current procurement and document retention policies, as well as list of conflicts of interest, and verify they conform to Uniform Guidance standards by the applicable effective date for your organization. If you have any questions with your policies, feel free to give us a call.

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