University Competitive Bidding Policy and the Uniform Guidance

PantherExpress - Purchasing Services Department

Tom Youngs, Director, Purchasing Services
Agenda

- University Competitive Bidding Policy
- Federal Government's Uniform Guidance
University Competitive Bidding Policy and the Uniform Guidance

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University
Competitive
Bidding Policy
Policy 05-02-16

POLICY STATEMENT
This policy establishes competitive bidding requirements for the University.

Competitive bids and price quotations should be obtained on goods and services purchased by the University.

Competitive bids and price quotations should be obtained in a manner that provides, to the maximum extent possible, open and free competition. This is accomplished by adhering to formal competitive bidding procedures, soliciting requests for quotations and proposals, and negotiating pricing agreements.

* Federal government grant funds will have additional requirements *
University Competitive Bidding Responsibilities

RESPONSIBILITIES

University purchasers

$10,000 and under
- Compare/evaluate potential suppliers in order to obtain the lowest total cost.
  - Competitive bidding is not required.

$10,000.01 - $50,000
- Conduct and select a supplier through a competitive bidding process.

$50,000.01 and above
- Submit product and service requirements to the Purchasing Services Department which will conduct the bidding in conjunction with the University purchaser.
- Select a supplier based upon competitive bidding process managed through the Purchasing Services Department.
University Competitive Bidding Procedures

- Less than or equal to $10,000
- $10,000.01 to $50,000
- Greater than $50,000

$10,000 or less

$10,000.01 to $50,000

Greater than $50,000
Less than or equal to $10,000

Less than or equal to $10,000, use University-wide contracted supplier, if available, otherwise department chosen supplier is acceptable, no further steps are required.
$10,000.01 to $50,000

1 - use University-wide contracted supplier if available and appropriate, no further steps are required or
2 - if University-wide contracted supplier is not appropriate, department may choose supplier based upon competitive bidding (may use Request for Quotation template)
Request for Quotation

Under Forms section of PantherExpress website - cfo.pitt.edu/pexpress/documents/RFQ_Template.docx
Greater than $50,000

Department works with assigned procurement specialist to develop specifications, issue solicitation, receive proposals, negotiate and award contract or PO.
Assigned Procurement Specialist

On the PantherExpress website - About | Staff Directory
www.cfo.pitt.edu/pexpress/documents/PurchasingServicesStaffDirectory.pdf
Assigned Procurement Specialist

Example

<table>
<thead>
<tr>
<th>Molly Scott, CPSM</th>
<th>Procurement Specialist</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-6204</td>
<td><a href="mailto:mscott@cfo.pitt.edu">mscott@cfo.pitt.edu</a></td>
</tr>
</tbody>
</table>

| Arts & Sciences, Dietrich School of | Med-Ob/Gyn & Reproductive Sciences |
| Assoc VC Human Resources | Med-Ophthalmology |
| Engineering, School of | Med-Orthopedic Surgery |
| General Studies, College of | Med-Plastic Surgery |
| Johnstown | Med-Cardiopulmonary Institute |
| Med-Cardiothoracic Surgery | Otolaryngology |
| Med-Microbiology & Molecular Genetics | Social Work, School of |
| Med-Neurological Surgery | SVC Business & Operations |
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University Competitive Bidding Summary

- Less than or equal to $10,000
- $10,000.01 to $50,000
- Greater than $50,000
University
Competitive Bidding
Policy
Questions
University Competitive Bidding Policy and the Uniform Guidance

PantherExpress - Purchasing Services Department

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Uniform Guidance
Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards at 2 CFR 200

No further procurement standards extensions

Regulations are effective July 1, 2018
Federal Grants Early History

• 1976, United States Office of Management and Budget (OMB) issued Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations: Uniform Administrative Requirements

• 1978, Federal Grant and Cooperative Agreement Act

• 2004, OMB moves A-110 to 2 CFR Part 215 as part of grants streamlining activities under Public Law 106-107

• 2009, Executive Order 13520 on Reducing Improper Payments

• 2011, Presidential Memorandum on Administrative Flexibility, Lower Costs, and Better Results for State, Local and Tribal Governments
Federal Grants Recent History

• February 2012, OMB published an Advanced Notice of Proposed Guidance that identified OMB’s objectives to reduce administrative requirements for grant recipients and solicited input
  - OMB received over 350 comments

• February 2013, OMB published a Notice of Proposed Guidance to serve as the initial draft of the UG and solicited input
  - OMB received over 300 comments
Federal Grants - Uniform Guidance Timeline

• December 26, 2013, OMB published the Uniform Guidance: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards
  - Sometimes referred to as the “Supercircular” or “Omnicircular”
  - Immediately applicable to federal awarding agencies
  - Federal agencies had to develop and publish implementing regulations with an effective date of December 26, 2014

• November 2014, OMB issued Frequently Asked Questions for the UG
  - Offered a grace period to July 1, 2015 for non-federal entity to comply with the procurement standards in the UG

• 2015, OMB extended grace period by two years to July 1, 2017

• 2017, OMB extended grace period to July 1, 2018
Combined Circulars
Consolidation of Federal Regulations in the UG

• Three Higher Ed Circulars -
  • 2 CFR 220 (OMB Circular A-21), Cost Principles for Institutions of Higher Education
  • 2 CFR 215 (OMB Circular A-110), Administrative Requirements for Educational Institutions, Hospitals and Nonprofits
  • OMB Circular A-133, Audits for State and Local Governments, Educational Institutions, Nonprofits
• Five Other Circulars for State, Local and Indian Tribal Governments and Nonprofits
  • Important: OMB Circular A-102, Administrative Requirements for State and Local Governments
Overview of UG Changes

• UG only affects federal grants (financial assistance), it does not affect federal contracts (purchases of goods and services for the benefit of the government)

• More than 60 regulatory changes to federal grants management

• Most important to procurement –
  - Changing procurement policies for institutions of higher education that previously followed requirements in 2 CFR 215 (A-110)
UG FAQs

Frequently Asked Questions, Updated July 2017

Uniform Administrative Requirements, Cost
Principles and Audit Requirements for Federal
Awards at 2 CFR 200

.320-2 Methods of Procurement: Sole Source for Research

Procurement by noncompetitive proposals: Frequently, researchers need to acquire items from a particular source for scientific reasons (for example when a service or item is only available with the required quality from one source or only one source can provide the items or service in the time frame required). Would this constitute a valid reason for a procurement by noncompetitive proposals? Is this method of procurement available for procurements of any dollar amount?

Yes. This would be a valid reason. This option is available at all dollar amounts, provided it complies with the general procurement standards under section 200.318, including documentation requirements in section 200.318(i).

.320-3 Methods of Procurement and Strategic Sourcing and Shared Services

Do the requirements for competition in the methods of procurement apply to each individual item I purchase, or may I apply them to broader procurement decisions in order to leverage strategic sourcing agreements, shared services arrangements, or other practices that result in more efficient use of the funds?

Yes, the requirements for competition apply to broader procurement decisions. Section 200.318 General Procurement Standards paragraphs (d) and (e) explicitly encourage non-Federal entities to build into their procurement policies practices that consolidate procurements where appropriate to make most efficient use of Federal funds.
UG Procurement Standards

Thresholds

- Micro-purchase threshold, $10,000
- Small purchase, $10,000.01 to *$150,000
- Competitive proposals, *$150,000.01 and greater

* - $150,000 is currently the Simplified Acquisition Threshold, set to increase to $250,000 in next 6 to 12 months
UG Procurement Standards

Micro-purchases ($10,000 and less)

"may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable"
UG Procurement Standards

Small purchases ($10,000.01 to $150,000)

- "...relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold"
- "price or rate quotation must be obtained from an adequate number of qualified sources"
  - $10,000 to $50,000 - department may use RFQ template
  - $50,000.01 to $150,000 - contact assigned procurement specialist

- At Pitt - most contracts with University-wide contracted suppliers are not as a result of competitive bidding but are rather "negotiated agreements"
  - None of the contracts with University-wide contracted scientific suppliers was competitively bid and thus they do not meet the requirement
  - A Directed or Sole Source Justification Form will be necessary even for suppliers like ThermoFisher
UG Procurement Standards

Competitive proposals (Greater than $150,000)

- Must obtain independent estimates before receiving proposals
- Requests for proposals (RFP) must be publicized (will be posted to PantherExpress website - Supplier Information | Open RFPs)
- RFPs must identify all evaluation factors and their relative importance
- Proposals must be solicited from an adequate number of qualified sources
- A written method for conducting technical evaluations of the proposals and for selecting recipients
- Must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered
- Awarded through price analysis
- **Essential** - contact assigned procurement specialist significantly in advance of need
UG Procurement Standards

Noncompetitive proposals (Greater than $10,000)

1. Available only from a single source (FAQ - Sole Source for Research expressly permitted)

2. Awarding agency expressly authorizes noncompetitive proposals in response to a written request from the University (added to Directed or Sole Source Justification Form)

3. Public exigency

4. After an RFP process, competition is deemed inadequate

* Award on cost analysis for greater than $150,000 (HIGHLY UNLIKELY) *
Pitt Revised Directed or Sole Source Justification Form

• Edits to requester signature line.

• Addition of UG language - "A federal agency has expressly authorized a sole source supplier based upon a written request from the University. (Attach copy of written authorization.)"

• Reference to UG in final section (not OMB circular).
UG Procurement Standards

Noncompetitive proposals (Greater than $10,000)

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* Award on cost analysis for greater than $150,000 (HIGHLY UNLIKELY) *
### Cost Analysis Example

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material</td>
<td>20,000</td>
</tr>
<tr>
<td>Material OH (10% × $20,000)</td>
<td>+ 2,000</td>
</tr>
<tr>
<td>Direct Eng Labor (1,000 hrs × $80/hr)</td>
<td>+ 80,000</td>
</tr>
<tr>
<td>Eng OH Rate (125% × $80,000)</td>
<td>+ 100,000</td>
</tr>
<tr>
<td>Other Direct Cost</td>
<td>+ 10,000</td>
</tr>
<tr>
<td><strong>Sub-Total Cost</strong></td>
<td><strong>$212,000</strong></td>
</tr>
<tr>
<td>G&amp;A (3% × $212,000)</td>
<td>+ 6,360</td>
</tr>
<tr>
<td><strong>Total Contract Cost</strong></td>
<td><strong>$218,360</strong></td>
</tr>
<tr>
<td>Profit (15%)</td>
<td>+ 32,754</td>
</tr>
<tr>
<td><strong>Contract Price</strong></td>
<td><strong>$251,114</strong></td>
</tr>
</tbody>
</table>
UG Procurement Standards

Piggybacking

• FAQ permitted

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320-3 Methods of Procurement and Strategic Sourcing and Shared Services
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Yes, the requirements for competition apply to broader procurement decisions. Section 200.318 General Procurement Standards paragraphs (d) and (e) explicitly encourage non-Federal entities to build into their procurement policies practices that consolidate procurements where appropriate to make most efficient use of Federal funds.

• "...strategic sourcing agreements, shared services..."
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University Guidance Summary
As of July 1, 2018 -

- Up to $10,000 - Current processes
- $10,000 - $50,000 - Department RFQ, piggyback or sole source
- $50,000.01 - $150,000 - Purchasing Services RFP, piggyback or sole source
- Greater than $150,000 - Purchasing Services RFP or piggyback (plan ahead and sole source is highly unlikely)
Uniform Guidance Questions
University Competitive Bidding Policy and the Uniform Guidance

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