




# Office of the State Controller

## OFFICIAL MEMORANDUM

To: Chief Fiscal Officers, Vice Chancellors, Business Managers

From: Anne Godwin, Deputy State Controller 

Date: May 31, 2017

Subject: U.S. Office of Budget and Management (OMB) Federal Register Update  
Procurement Procedures

On May 17, 2017, the Office of Management and Budget (OMB) updated the December 26, 2014 final guidance on procurement requirements in the “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.”

Although, the new Uniform Guidance is effective for new federal awards and changes to funding increments with changed terms and conditions issued after December 26, 2014, there is a grace period after the effective date of the Uniform Guidance for implementing the new procurement requirements. The grace period for non-Federal entities extends through December 25, 2017, and the implementation date for the procurement standards will start for fiscal years beginning on or after December 26, 2017.

Some of the general standards over procurement include:

- Every non-federal entity receiving federal awards must have documented procurement procedures that reflect federal law, Uniform Guidance standards, and any state regulations.
- Entities should focus on the most economical solution during the procurement process, and must avoid using federal funds for the acquisition of unnecessary items. Organizations are encouraged to consider the use of shared services and intergovernmental agreements to foster greater economy and efficiency.
- Written conflict-of-interest policies are required. No employee or agent of the entity may participate in the selection, award, or administration of a contract funded by federal grant dollars if he or she has an actual or apparent conflict of interest.
- The organization must document the procurement steps and activities required to be completed. This includes the basis for the type of procurement, contract type, and the basis for the contractor selection and price.
- Ultimately, the recipient of federal awards must maintain an appropriate level of oversight to ensure that contractors perform in accordance with the terms of their contract.



The Uniform Guidance outlines five methods of procurement:

- **Micro-purchase:** Purchases where the aggregate dollar amount does not exceed \$3,000 (or \$2,000 if the procurement is construction and subject to Davis-Bacon). When practical, the entity should distribute micro-purchases equitably among qualified suppliers. No competitive quotes are required if management determines that the price is reasonable.
- **Small purchase:** Includes purchases up to the Simplified Acquisition threshold, which is currently \$150,000. Informal purchasing procedures are acceptable, but price or rate quotes must be obtained from an adequate number of sources.
- **Sealed bids:** Used for purchases over the Simplified Acquisition Threshold, which is currently \$150,000. Under this purchase method, formal solicitation is required, and the fixed price (lump sum or unit price) is awarded to the responsible bidder who conformed to all material terms and is the lowest in price. This method is the most common procurement method for construction contracts.
- **Competitive proposals:** Used for purchases over the Simplified Acquisition Threshold, which is currently \$150,000. This procurement method requires formal solicitation, fixed-price or cost-reimbursement contracts, and is used when sealed bids are not appropriate. The contract should be awarded to the responsible firm whose proposal is most advantageous to the program, with price being one of the various factors.
- **Noncompetitive proposals:** Also known as sole-source procurement, this may be appropriate only when specific criteria are met. Examples include when an item is available only from one source, when a public emergency does not allow for the time of the competitive proposal process, when the federal awarding agency authorizes, or after several attempts at a competitive process, the competition is deemed inadequate.

All recipients of federal awards should familiarize themselves with the complete changes in the Uniform Guidance to ensure compliance.

<https://www.federalregister.gov/documents/2017/05/17/2017-09909/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>.

If you have any questions, please contact Angela Johnston at (919) 707-0668 or [angela.johnston@osc.nc.gov](mailto:angela.johnston@osc.nc.gov) for assistance. Thank you.

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