



Final Transcript

HUD-US DEPT HOUSING & URBAN DEVELOPMENT: Overview of Procurement Policies and Procedures

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SPEAKERS

Robin Booth

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by and welcome to the Overview of Procurement Policies and Procedures. At this time, all participants are in a listen-only mode. [Operator instructions.] As a reminder, this conference is being recorded.

I'd now like to turn the conference over to Robin Booth. Please go ahead.

Robin Good afternoon. Once again, welcome to the Office of Housing Counseling's Overview of Procurement training webinar. Going over the logistics slide, this audio is available only by conference call. If you do

not have the call-in information, it is 1-866-615-1890, participant code 424868.

This webinar is being recorded, and the playback information, along with the presentation and other handouts will be available on HUD Exchange in the archives section. Generally, it takes 24 to 48 hours or 2 to 4 business days for this information to be put on HUD Exchange, but as indicated, the materials and the audio will be available.

During the actual webinar today, all of the lines have been muted. I know in other webinars, we do allow for live questions, but due to the volume of participants, we have a lot of participants today, we will be taking questions using the different alternatives. We will not be taking live questions. Your lines will remain muted during the presentation.

You should've received the handouts, if you're registered, let me say that. In your control panel, you should have a pdf version of the handouts, and you should also have received them prior to the webinar. If you go in the control panel, if you didn't receive them prior to the webinar, and just click on that document, you can download them.

Within 24 to 48 hours, you'll receive an email thanking you for participation. This is actually your training certificate. There will not be a subsequent certificate or there's no attachment to that email. The email itself is the certificate, so please make sure you keep it for your records.

For today's webinar, as I indicated, we will not be taking live questions; however, you have two ways to ask questions. In your control panel for the webinar, you have a box or a hand that indicates you have a question. You can type in a question there, and we do have staff available to answer the question.

Depending on the volume of questions, if it's that many, we may have to once again answer those questions subsequent to the webinar. In addition, if after the webinar or if your question doesn't get responded to during the webinar, you can always send a question to housing.counseling@hud.gov.

We ask that you put the name of this webinar which is Overview of Procurement in the subject line item so they can be distributed to the correct individuals. You'll receive a response to your questions that way.

We will try to answer as many questions as we can during the webinar, but as I said, based on the participation level, it may be difficult within the time period allowed for the webinar.

To begin the actual webinar, this is one of the areas that may have been most impacted as a result of the revised 2 CFR Part 200 uniform guidance. There's been a lot of activity both within the federal government but also for nonprofit organizations and other organizations that receive grants from federal awards relative to this topic. I've heard from various grantees that they've received communications and marketing materials from companies indicating that under the new uniform guidance, this is a requirement. Let us help you put together your procurement requirements.

Fortunately, as recipients or participants in the Office of Housing Counseling program, you all can receive training and assistance to help you address the new procurement requirements under the 2 CFR. My name's Robin Booth. I'm the facilitator for this webinar, and also the audit principal. We are the contractor under the Office of Housing Counseling that provides this kind of technical assistance, such as fully implementing the new requirements of the uniform guidance including these procurement requirements.

We also do the financial and administrative reviews, technical assistance. We provide webinars and one-on-one training, as well as action plans, and

other financial analysis. As a participant or being under the umbrella of the Office of Housing Counseling program, you have access to resources to assist you in addressing the requirements for procurement under the uniform guidance under this particular contract.

Today, one of the things we want to go over is just defining things like procurement, and the requirements. We want you to understand if this applies to you. Is your organization subject to this requirement, or your agency subject to the requirement? We're going to review the key changes. When I say UG, that's uniform guidance procurement changes. Certain areas require a little bit more attention, that's the conflict of interest area and the sub-recipient versus contractor, understanding or differentiating between the two, even there are key areas under the procurement changes that we want to highlight for purposes of this discussion.

We'll go over some implementation approaches that you could take, best practices, and then we'll talk to you about some of the assistance that you can get in this area, once again, by requesting the assistance from your HUD POC and having access to resources available to you through OHC.

Finally, we'll go over some frequently asked questions and give you some follow-up resources.

This training is an overview. This whole area of procurement can be very in-depth and complex depending on the size of your organization, the type of procurement activity you participate in, and things of that nature.

During this one-hour webinar, we will not be covering in-depth every area of these procurement requirements. What our goal is, is to provide you with sufficient information for you to determine what impact it has to your agency and then potentially what additional assistance you need in order to implement this requirement.

So, first let's start with understanding what procurement is. All of these things fall under uniform administrative requirements which is the whole uniform guidance. Procurement is the purchase of commercially available goods and services in connection with a grant-supported project or program. It's the purchase of goods and services. Sometimes people think it's just the purchases of goods when you say it, but it's also purchases of services.

One of the things that's the reason why we have to differentiate between a sub-recipient and a consultant is because, one, the treatment of those two are different for purposes of procurement. For instance, a sub-recipient is subject to different requirements and does not fall under the procurement standards as established under this US CFR; however, consultants, whether you're procuring for supplies, travel, any purchase of goods or services, whatever they are, those services are considered procurement policies. The reason why we want to differentiate between policies and procedures because a lot of what's emphasized under these new requirements are policy and procedures.

Sometimes, it's not clear if everybody understands what the difference between a policy and what's a difference between a procedure. A policy is really the statement or the directive that's telling you what the guiding principles should be of your decision making. As it relates to procurement, really the policies come straight from the uniform guidance.

It tells you this is the requirement. You then have to develop procedures which describe how, for each policy, what actions you'll put in place to comply with that policy—who will do what, what steps they need to take,

which forms or documents to use. Those are the procedures that you're going to implement to actually address that policy which is a requirement.

In this instance, those policies are driven directly from the uniform guidance. That's important because we're going to talk a lot about policy, and procedures, and procurement, that's the whole purpose of this webinar, so we need you to understand what we mean by procurement, policies, and procedures.

Some examples under OHC grants of these does not include sub-awards. These are type of procurements that we generally see on the budget, and notice we have this big emphasis, does not include sub-awards because under the uniform guidance, there's a different treatment of the whole section that deals with how you have to do sub-grantees and sub-awards.

Examples would be your consultants, they're your trainings, your supplies and materials, your travel, your conferences, and equipment. Notice I do not say labor. Labor is not purchase of a good or a service, that commercially available good or services. They fall within your personnel compensation areas with is a different treatment than procurement.

However, if you have fringe benefits, and under your fringe benefits you're including things like your health insurance or other insurances, that is a purchase of a service. Those services available health insurance and things, so then they should ultimately fall under this requirement for procurement.

As we'll talk about in the next slide, one of the biggest things that differs from the old guidance, old OMB circular to now is that there's no limitation. There's no ceiling, meaning before, at least under this grant, you only had to have procurement related policies and procedures for purchases of \$25,000 or more. What they've done now under uniform guidance is where before they really discussed this under the auditing functions or in another section, they now made this a requirement of anybody that has a federal award.

So the applicability of this is that it was supposed to be effective as of two years after your fiscal year end; however, hopefully this will be information that most of you already know, there was an addendum effective May 17, 2017, that gave you an additional year of a grace period because so many organizations raised concerns about their ability to implement. What that means is you have to take your fiscal yearend, as

indicated in this example, if your fiscal yearend was 6/30, your first fiscal yearend after the implementation of this which, as you all see, was December 24th. That was the implementation of this requirement. Your first fiscal year after that, if you have a 6/30, would have been 6/30/2015.

Then, now with this new addendum, it gave you an extension to 6/30/2017. Before this addendum in May, the requirement would have said that you had to have all of this in place by 6/30/2016. If we change the fiscal yearend to 12/31, then that would be 12/31/15 would be your first year, '16 your second year. That means you would have to have full implementation by 12/31/2017. Based on your fiscal yearend, that's when the implementation requirement is.

For a lot of you, that means now because you would have just had your last fiscal yearend if you have a 6/30, it would have just ended. For others that you have additional time. If you have a December 31st fiscal year, you have until the end of the year.

What that means from a grant perspective is that for the FY '16-'17 grants that were just awarded because all these implementations are based on the awards, you may not, depending on your fiscals years, and things like that,

you may not be required to have a full implementation of this requirement. That's why, once again, we think this training is very important at this point because some of you have more time now to make sure that you're in full compliance. OHC wants to take a proactive approach to addressing this by saying, okay, these are the areas of concern, and this is the assistance we can provide you to meet these timetables.

Now, if you choose to utilize the extension, this is important. You must document this in your internal procurement policies. You must document that you elected to exercise your right for this extension to implement this full procurement requirement. That's just a statement that you need to have somewhere, if you don't have an internal procurement policy, you need to have it documented in some kind of memorandum or other documentation that becomes a part of your permanent file.

When you're subject to a financial and administrative review, and we look at the implementation of this procurement requirement, we will look to see if you have that documentation in your files. From prior trainings, we indicated that one of the things the uniform guidance did was it emphasized the difference between something that you must have versus

something that you should have. In this instance, the requirement says must, so that means you have to have it. It's not an option. You have to have that in your documentation. All the other sections remain unchanged.

Now, the other big point, this is a lot of questions we get. This applies to purchases of goods and services directly charged to a federal award. It does not include any of your costs that you're including in your indirect costs, if you're charging indirect costs, that dollar amount, any costs that you're charging as a direct award.

A couple of good things, one, we know that labor or personnel cost, that's not subject to procurement. If you're just charging personnel costs, then you're not required to have all of this procurement-related guidance and information in effect. Now, if you include salaries, and wages, and fringe benefits, the services you purchase under fringe benefits, health insurance and those things, they are subject to the purchase of goods and services under procurement.

Depending on what you include on your budget, as far as costs, direct costs you're charging to the grant, whether it's this federal award or any

federal award determines whether this procurement requirement is applicable to your organization. What it did was adopt most of the language that used to be in the OMB Circular A-102 which was just for state and local Indian tribes, and now it moved it to the uniform guidance. So, now it became applicable to all not-for-profit entities. It's no longer just for those purchases over a certain dollar amount or state, local, and Indian tribal, so moving it from one circular and putting it in a uniform guidance made it applicable to all not-for-profit entities.

It's for all monies received through federal grants directly or through an intermediary. For sub-recipients, they too are subject to it. So, whether you're getting it directly or as a pass-through, you're subject to this requirement and you must have documented procurement procedures that reflect federal law.

Now, one of the other questions we get, well what if federal law and state law is different? Then, as we say on the subsequent slide, then you have to comply with the most strict law. If the state law is more strict than the federal, then you have to make sure your standards meet the state law, and vice versa.

Some of the key procurement changes, a couple of things, one, economical procurement for necessary items. They just want to make sure that the process makes sense, it's more streamlined, and you have more guidance relative to that process. You should consider the use of shared services and inter-governmental agency agreements across the greater economy. Some of you do that through your nationals and your sub-recipients, but if you're state and local, it encourages you to share those services.

You have to have written conflict of interest policies and procedures. A lot of emphasis on this under the new guidance to minimize fraud, waste, and abuse through things like gratuities or kickbacks and things of that nature. You must maintain an appropriate level of oversight.

Those are some of the general procurement changes. Some of the other changes, and we've mapped them out by section in the UG. They spell out five specific messages for procurement. We will review, in this webinar, those methods.

They talk about specific contract requirements as it relates to reviewing the contract for compliance. You can look under the appropriate section of the UG to get additional information. You have to have documented

policies and procedures. It has to be necessary meaning that these are services or goods that are necessary for the performance of the grant, written conflict of interest, and then documentation of activities and steps required. Another change is a full and open competition.

As I said, due to the depth of this context and information for the procurement, this is an overview. This is giving you some of the key areas you may have to research as you look in the UG. One of the first things you'll determine though is whether it's actually applicable to your agency. Hopefully, we've answered that question.

You're going to see this claw everywhere. They call it the procurement claw. It's almost in anything where you're talking about the UG and the procurement changes because this is a specific illustration that was issued with the procurement changes to indicate the five methods of procurement. For micro-purchase, if you follow the claw, you go micro-purchases, small business, small purchases, sealed bids, competitive, and so forth.

Then, to implement these five methods, you have to have documented policies. You have to determine if it's necessary. You have to meet the

full and open competition, have your conflict of interest, and depending on the procurement method, you might have to do cost and price analysis and vendor selection.

Now, this could appear to be overwhelming because if you've never been subject to have procurement policies and procedures, you're pretty much now saying, okay, I have to put all of these things in place. One of the things the uniform guidance did though for procurement was that it gave you some benchmarks which is this next claw. Pretty much it tells you, for the five methods, what's considered micro-purchases is \$3,000 or less. You don't have to have quotations, and it just has to be equitable.

With each procurement type within the UG, it tells you what, at a minimum, the requirements could be. Some people though, they may have adopted a lower micro-purchase threshold of \$2,500. That's fine because you're within a more stricter requirement than those in the guidance. What you can't do is exceed these requirements. You can't say micro-purchases is \$4,000 because the regulation says \$3,000 is the maximum for micro-purchase.

As you go through this claw, and look at, for instance, the thresholds, small purchase amount is up to \$150,000. You do have to have a rate quotation. You don't have to do a no cost or price analysis.

These are your policies. Then, what you start doing is developing procedures to address how you're going to meet those policies. Your procedures may say, yes, the regulation says up to \$150,000, but we're really going to look at everything over \$100,000 and require quotes. They then become your policies and procedures, and we then hold you accountable for those.

What the guidance is telling you is these are at minimum the requirement, these specific areas. Once you've determined, or if you've determined, that you're subject to these requirements, you need to in fact go to this section, section 200 320 and review what the UG is telling you are the minimal requirements for these five methods of procurement.

These next slides we summarize what was in the claw just to make it easier to read and to understand, for micro-purchases, to exempt from needing quotes, to price must be reasonable. It's kind of like the requirements based on the method of procurement. This information is

directly from the guidance. This becomes your policy for which you're going to develop procedures to ensure how you're going to comply with these policies. That's the whole requirement for having documented policies and procedures.

Your policies, at a minimum, must meet these standards. As I said, they can be more strict than these standards, but at a minimum they have to meet these standards when you're developing policies. This talks about micro-purchases, small purchases, procurement by sealed bids.

That's why it's too good if you go read this section or as you're getting more familiar with these methods because it'll also explain procurement by sealed bids, generally what kind of procurements make sense for that. That's a part of your coming up with your policies and procedures. What kind of procurements do you do that are over \$3,000 but under \$150,000? What falls into that? That's all the kinds of things that you're documenting in your policies and procedures.

Competitive proposals, this is methods four and five, and non-competitive proposals. As I said, this language is given to you. They tell you what the

requirement is. It's your job to develop policies and procedures that comply with these requirements.

Conflict of interest is a big issue. I think they did a good job of making it even clearer for procurement. Now, of course you have conflict of interest throughout your grant management process, but specifically for procurement, they clearly define that one, you all should have it anyway. You must maintain written standards of conduct covering conflict of interest in governing the actions of its employees engaged in the selection, award, and administration of contracts. In this instance, whether it's contracts, or various vendors, or agreements of purchases of goods and services, you have to have, and you have to have a standard of conduct and have to implement it and monitor and oversee it.

It specifically says that no employee, officer, or agent may participate in the selection or administration supported by a federal award if he or she has a real or apparent conflict of interest. Once again, you need to make sure if you have an existing conflict of interest policy or mitigation plan, or conflict of interest plan, you need to make sure that you go and update it to incorporate these specific clauses from the general procurement standard. If you have procurement policies and procedures, you need to

make sure that you update it to reflect this particular policy and requirement and then your procedures for complying with them because it has to be clear in your documentation.

When it comes to code of conduct, identifying conflict has to be written. Everything, it's not what we expect. It's what we inspect. It has to be written.

No participation in procurement if and when the contract—so even if someone conflicts out or discloses their conflict, that doesn't mean they can still participate in the procurement because they told you of the relationship. That means that they cannot participate at all. Depending upon your other conflict of interest statements in other areas of your grant management, it may be that they're not conflicted out from actually participating in that area. Be clear, in procurement, if there's a conflict, they cannot participate.

No soliciting, or acceptance of gratuities, favors, or anything of monetary value from consultants or vendors. The federal government has this \$25 rule, that if something's over \$25, you really shouldn't accept it. I always say to err on caution. Even when they give you a Christmas basket for

your office from a vendor and all those things which they consider promotional, you have to be careful with those kinds of things. Actually, you should not encourage them, and say you can't accept it because that's a gratuity, or a favor. Anything of monetary value, so if a vendor tells you, we're going to send you a Christmas basket or a free lunch for all your staff, you have to be cognizant that if you charge any of those costs directly to a federal award, you could be in non-compliance of the code of conduct.

Conflict of interest, this is from actually HUD issued an integrity bulletin in the summer of 2017, *Seven Keys to Handling Conflict of Interest*. We actually cited on the resources where you can go find this. These were the steps that they indicated in that bulletin relative to handling conflict of interest.

Know what the requirements are, training the employees, creating a procedure, implementing regulations, know the consequences, request an exception, and if all else fails, get help. That's a great resource for you to use so you understand how to actually implement this conflict of interest if it's not something that you already have in your agency.

What's the difference between a sub-recipient versus a contractor? Okay, a sub-recipient, the purpose of the award is to carry out some element or a portion of that federal grant. The relationship drives whether it's a sub-recipient or a contractor.

A sub-recipient is performing work under the grant. A contractor is providing services to you that are not necessarily under that particular grant where you're performing the actual purpose of the grant.

With the sub-recipient, determine who is eligible to receive what award. You have performance measures in there. You don't have those for contractors. You have responsibility for programmatic decision making. That's not in a contractor agreement. Responsible for adherence to applicable federal program requirements, that's not a part of a contractual relationship. Then, use federal funds to carry out program or public purpose. For a sub-recipient, this is the nature of the relationship. That determines whether it's a sub-recipient or a contractor.

Now, in a contractor, here you're actually buying goods and services for the non-federal entity, and you might be using them to support a federal award, but they're not performing the services under those federal awards.

In this situation, you're just getting the goods and services. You usually can get these goods and services from many different vendors or purchases. It's a competitive environment because you're usually based on pricing and availability. They're ancillary to the operation of the program. They're not the direct services being provided by the program, and they're not subject to compliance with federal programmatic requirements.

When you're looking at these relationships, be careful. Be sure that you understand that the nature of the relationship determines whether it's a sub-recipient versus a contractor, which is important because sub-recipients are held to different requirements under the uniform guidance versus contractors who fall under procurement.

Some suggestions for how to implement this: First, you have to understand the guidance. This is just the first step. If this is totally new to your organization, and based on earlier information discussed in this presentation you determine that you are subject to this requirement, first thing you have to do is understand the guidance. Part of that could be some may outsource, and some of you may request assistance through

OHC to help understand what the guidance is to develop that. You have to actively seek understanding of what the guidance requirements are.

The next step would be then to really discuss it within your agency and to really get everybody on board with why you have to, one, understanding the guidance, why you have to comply with these requirements. How does that look? How does that impact the agency? What additional resources do we need or what additional personnel we may need to make sure we're fully in compliance. Does this apply to us?

Then, you have to plan. Part of your plan is, one, being very familiar with the guidance, determining if it's something that you can do internally or something you may need external resources to do, and then putting together a plan for implementation of this.

The entire agency has to understand how you're going to implement that plan. It all starts from the board level. A lot of times people may be working in a vacuum. They're like I'm doing our part. When you understand procurement, you understand that it touches almost anyone that's buying any goods and services.

It could touch your program area personnel who have grants, and under those grants they're purchasing goods and services. It has tentacles to your accounting area. It could have tentacles to your management area. So, everybody in the agency needs to understand how this impacts them, and what they'll have to do in connection with this.

Then, you can plan as an agency. First, somebody had to take responsibility for it. Then you start planning as an agency how we're going to do it. At that point you implement it. You evaluate it. Usually after your first year of implementing anything, you should evaluate, or maybe even at closer intervals, you should evaluate if it's working. Then, over time, refine that approach and that plan.

To understand, you want to read, share, talk, listen, absorb, interpret. This is a good part of understanding the process. Then, as you can see, you need to read and share the information. You need to make sure you understand. To the extent that you have resources available such as business through OHC, you want to take advantage of that to make sure that you can absorb and interpret the information correctly.

You then want to organize. You want to find and tackle opportunities, determine if you need any system changes. Do we have a lot of procurement? Well, we may want to look at some kind of procurement-related systems, or do add-ons to our existing systems, or do we have something within our accounting or other systems that can help us to do this procurement process a lot better?

What policies and procedures? If we don't have any, we start from scratch. If we have some, what changes or updates and revisions do we need to policies and procedures? Look at what training and business process changes you're going to have to do. You have to prioritize the large-scale opportunities, and then come up with your action plan.

This kind of effort should impact the entire organization because so many people generally are involved in one way or another on the purchase of goods and services. Don't make the mistake of thinking this is an accounting area, or only certain areas are doing this.

The reality, if you have federal awards, anybody that's working on a federal award, the program manager, could potentially be someone that's

purchasing a good or a service. So, it's important to make sure this information is being communicated throughout the organization.

This is a procurement readiness checklist. This is part of what we would, when I say we, if you received assistance through OHC, and this is a good cheat sheet for you all to see where you are. Through this training, you determined that, yes, we're subject to this. This is applicable to us. We know when we have to have this implemented by. We know our plan.

So, now with this readiness checklist, you can use that to help determine where you are relative to being in compliance. We use it also, when I say we, as the contractor responsible for providing some of the financial assistance and technical assistance, we use this to make an assessment of where you are and as a roadmap to state areas that we need to assist you with, for instance, if you need to identify the ultimate owners of procurement policies and procedures.

If you've never been subject or had these types of policies and procedures, we may, as a part of technical assistance, assist you in developing your org chart for it so you understand who is responsible and then the various hierarchies. Review all the UG requirements, that's training to make sure

we understand. Part of that too is understanding what kind of purchases of goods and services you make.

How much of that is federal awards, and there'll be things you drive direct. That tells us the depth of your procurement policies and procedures. What level of detail do we need to go into relative to those procedures? Once again, you can use this to see where you are in this process, and to make informed decisions about potentially areas that you may need further assistance.

Some of the best practices that we've seen, it's early on. Fortunately, we have years, and years of procurement-related experience, so implementing this on the grant side is, I'll be quite frank, is much easier than on the contract and on the private sector side. Some of the best practices for an effective procurement system, and GAO actually provided this framework, GAO being the Government Accountability Office. They provided this framework, and referenced this as a source too in this slide.

You want to start with transparency, making it well known and apparent to everyone within your organization what the requirements are and what your procedures are for complying with those requirements.

Hold each other accountable from identifying who's ultimately responsible to ensuring that throughout the process you have the proper authorizations and approvals and requests and information like that, the integrity which falls directly in with conflict of interest and assuring that you're not, the standards of conduct, and things of that nature, the integrity of the process, which once again is something that has to be transparent and individuals have to be held accountable for.

You want to have competition. It's not good enough to say we've used the same vendors for years. Well, you need to go each year, each time you're buying those goods and services, verify that you're getting the best pricing for the federal government because at this point on federal awards, you're a fiduciary spending taxpayer dollars, so just because you have a longstanding relationship doesn't necessarily mean that's the best pricing or that's the best value to the federal government for this federal award, which is why competition is extremely important. Also, competition can lead to better negotiations, and better prices, and things of that nature.

Organizational alignment and leadership, it has to start from the top.

Everyone in leadership positions must buy into the necessity, the

transparency, accountability, integrity, all of those things associated with this process. That's why, if you notice on the readiness checklist, that was the first thing. Who's going to be responsible, and how will they interact with leadership? Because we all know that in order for any policies and procedures, any systems to be effective, it has to be a buy-in from the top. The tone is actually set at the top of the organization.

Then, you look at what capital do you need? Do you need additional personnel? Generally, with something like this, it's just a matter of aligning or setting up these procedures within your organization and clearly identifying who's responsible for what. Unless you have a lot of procurement activity, then you have to look at, okay, do we have sufficient human capital to meet the requirements and to maintain the procurement at the level it requires, especially when you start looking at if you have a lot of purchases that fall under where you have to get a lot of quotes, and you have to do the bids, and evaluations, and things of that nature which may be the issue for some of the intermediaries and other large organizations who may be buying goods and services in a lot of different areas for federal awards. It becomes do you have a procurement office, or do you have procurement personnel, knowledgeable, which is the next

area in knowledge and information management, knowledgeable, experienced, and trained in the areas of procurement?

For smaller organizations, a lot of it will depend on your ability to have just strong policies and procedures that clearly provide a clear understanding of what the requirements and how the organization's going to meet them. It's more a function of information and communication than it is having individuals that will be providing it. As I've said, that's an assessment you'll have to make, and hopefully you can make, after you look at, one, if this is applicable to you, and then look at the various methods of procurement to see where does your organization fall.

If you're just a micro-purchase, you usually don't have anything over \$3,000 then that means that you're policies and procedures should speak more to that area. You want to indicate those other areas, but you want to make sure that you have strong procedures, and potentially processes, which are different from procedures in that particular area, although you will have to address all the other areas in your documentation.

These are some of the best practices for a strong procurement system. You want to develop and update your present policies and procedures.

You have to know your thresholds, your conflicts of interest involving employees, conflict of interest involving organizations.

You want to consider centralizing, depending on, as I said, the types of purchases or the volume and level of purchases and goods, it may make sense to centralize your purchasing operations so that you can reduce some of your non-compliance. Usually, it minimizes errors, gives you more uniformity and consistency throughout your processes and decision-making. As I said, that's a part of the whole checklist that where you start to look at what makes sense for your organization.

Then, you create checklists to guide purchases. When you're doing certain things, forms and templates really help to make sure that procedures and policies are being followed. They give you steps so you know what the decision-making should be.

For instance, if this is a small purchase, which is a purchase over \$3,000 but under \$150,000, per the requirements, then these are the things that you have to have. Did you get quotations? Did you do X, Y, and Z? That checklist helps you to remember all the steps that you have to take as a part of that decision-making for that procurement. Then, on that checklist,

you could have things like the required documentation that you must maintain in what becomes your procurement file for that particular purchase of a good or a service.

Some of the areas, lessons learned, most common procurement weakness, don't maintain the file, lack of contract file documentation. You can address that by having a good checklist that tells specifically what documentation should be in a file. Now, part of that is knowing what that should be as the regulations tell you what the requirements are. This is when having knowledgeable, either internal personnel, or outsourcing, for instance, once again, getting assistance through OHC, this is when that's important because you don't know what you don't know. So, if you don't know what the contract file documentation should be, then needless to say, it's not going to be in the file.

Lack of approval, there's certain parts of that procurement process where approvals are required. This is consistent with internal controls. This is consistent with minimizing the potential for collusion, or fraud, waste, and abuse.

It's consistent with minimizing the potential for favoritism or getting kickbacks, or gratuities because throughout the process, there's various approvals. There's key decision-making times where approvals should be in that process. Unfortunately, that is a common weakness, they don't exist.

Failure to follow existing procurement procedure, if staff aren't informed, that gets back to transparency, full disclosure, if everyone in the organization isn't aware of what their procedures are, or what procurement and how it interacts with procurement, they won't even recognize that they're doing a procurement action. They won't recognize that a procurement activity or action is purchasing a service or good. That's why it's important to not just disseminate the information but to provide training on this especially for those that'll be held responsible.

Split purchases, this is when, especially with credit cards it happens all the time, where if you have various thresholds or requirements, for instance you say a micro-threshold is \$3,000, personnel or employees will ask their vendor to allow them to break up their purchase into two transactions. If you look at it from a transactional basis, a purchase of \$4,000, \$2,000 was done on one day, and \$2,000 was done on another.

It suggests that's it's really a micro-purchase, but the actual total value of the purchase was \$4,000. It should have been treated as a small purchase subject to additional procurement requirements. That's what a split purchase is.

Lack of competition in small purchase procurement, that's so common. Remember, small purchase is over \$3,000, less than \$150,000 where a lot of times, as I've said, either years of doing business with the same vendors or just failure to get additional quotes from other vendors and doing market research so you can identify other people that can provide you with the services. It's just easier, so they don't do the necessary level of marketing identifying vendors to ensure adequate competition.

Then, unauthorized commitment to vendors, this happens with credit cards more than anything. People think because I paid with a credit card, that means that in itself represents a procurement action. No, even if you pay with a credit card, you still have to have the approvals. You should go through the same procurement process for whatever method that procurement falls under.

A lot of times, people think that credit card transactions really represent the documentation. It does not. You still need the authorized commitment to vendors. You need to have the approvals. You need to have all of these procedures.

These are some of the common pitfalls or lessons learned that you can attempt to mitigate by, one, incorporating how to address those in your policies and procedures, and through training, and good information sharing.

Some of our frequently asked questions, how are procurements of micro-purchases and small purchases under simplified acquisition threshold less burdensome than those above? Overall, if it's under the simplified acquisition, there's fewer terms and conditions. You have less competition requirements, and you can do more informal solicitation.

So, \$150,000 is that simplified acquisition threshold. That's why if you have good policies and procedures and you do have your micro-threshold versus your small purchases, you can simplify your acquisitions for those that fall under \$150,000.

Our next question, does the guidance apply to procurements made for indirect costs? For example, would a non-federal entity need to follow them when hiring a plumber to fix a broken pipe in their headquarters? No, it does not apply to procurements made in indirect costs areas. They apply to procurements for goods and services that are directly charged to a federal award.

If you have an indirect cost, or a NICRA rate, and all of those things, those negotiations and all of those are done between you and whatever the cognizant agency. They're the ones they're looking at and auditing, so really in an incurred cost environment, you're looking at the incurred cost proposals and ultimately, if you have a NICRA, you get audited. That's where all those transactions are addressed. The uniform guidance for procurement standards, your procurement requirements are only associated with charges done directly on the grant, direct charges, direct costs on the grant, no indirect, which I think is good information.

Does it require non-federal entities to limit charge card purchases? No, it doesn't; however, you do have to add an internal control framework around any purchase. As I said, just because you do a credit card

purchase, that doesn't usurp the requirement to still have documentation, authorizations, approvals, and all of those things.

Can you please clarify when it's allowable to hire a contractor without competitive bidding? This gets into the various thresholds. The federal threshold for simplified acquisition of goods and services is \$100,000 or \$100,000. So, contracts of \$100,000 or more need to go through competitive bidding.

Contracts secured under simplified acquisition procedures must still document that the grantee took actions to ensure that it's receiving the best price. So, you still need at least three quotes and things of that nature. The federal threshold for it is \$100,000, but in the uniform guidance, it says \$150,000. At this point, you would be subject to the uniform guidance. You just need to make sure you get multiple quotes. That would be your competitive bidding.

Actually, internally you may lower that threshold. You may say, no, we want multiple quotes on \$50,000 or more. As I said, that can be your policy as long as it doesn't contradict, when I say contradict, it doesn't provide less requirements than those that are in the regulation.

To what extent do the new uniform guidance align with FAR, which is Federal Acquisition Regulation? The uniform guidance established requirements that must be followed by grantees for procuring goods and services needed. Like the FAR, it is designed to ensure that procurements involving federal funds are conducted with integrity, fairness, and openness.

FAR actually provides more the rule, in addition to the requirements, where the guidance establishes the requirements that must be followed. FAR is a specific requirement that you have to follow for FAR. In the uniform guidance, it established the requirements that must be followed when procuring. The FAR is much more stringent. It's much more strict. It's much more a directive than the uniform guidance; however, both of them, one of the major objectives is to ensure integrity, fairness, and openness in the entire procurement process.

What's available through OHC? When I say available through OHC, these are services that you can request, and we show you in the next slide, through your HUD POC, and ultimately receive through your grant and through the contract through your grant. One area is technical assistance.

We can help you develop, modify, or update your procurement policies, do that procurement readiness assessment. We can review procurement files to determine if they're in compliance. We can do action plans to determine, depending on, but not just the intermediary, but if you have sub-recipients to tell them where they are as far as their compliance of procurement and what needs to be done to get them in compliance, and then assist them. This kind of assistance can happen on-site or remote.

We can also provide training. For instance, if you already have procurement, but your policies and procedures may need to be updated, or you're looking at bringing on staff, or having staff that may not have been involved in procurement now are involved in it, we can provide training on the procurement requirements.

We can give you training materials for rolling out new policies and procedures. You've developed these policies and procedures, and now it's time to roll them out and make them available to the various stakeholders who have a vested interest in knowing this information. We can provide that training.

To intermediaries, we can provide sub-recipients training to them on their requirements for having procurement and assist them under technical assistance with implementing their policies and procedures for procurement.

We can also do an action plan. Using a readiness assessment, we can review, especially if you have an established procurement process and maybe personnel, then we can do an action plan and assess where you are as opposed to what's required under new guidance and give you a roadmap to say, okay, well you all may need to consider updating your conflict of interest statement to incorporate this. In your various procurement methods, this one isn't aligned with the requirements, things of that nature, through some type of action plan.

How would you get this assistance? You will request your assistance from your HUD POC. When you request it, be clear on what assistance you're looking for, who would be the person that would be available to work with us on this assistance, and preferably a time period for when you would need this assistance needed. Once you make your request, the HUD POC then determines if the request is reasonable and/or it's services that fall within the assistance that can be provided.

They then submit that request to the government technical monitors for the contract who basically let them know, one, if that assistance is available, and funding is available. Generally, at that level they're not determining if the assistance is necessary because that's done at the HUD POC level. Once the HUD POC determines, yes, this is assistance, this is what they need, when they're sending it to the GTMs for further approval, that's just to make sure that the funding is available for that assistance.

Once HUD approves that, then we're then giving, we being the contractor that providing the assistance, we're given a directive to move forward, hopefully with the appropriate contact information and we start to work with you directly. This process can work as fast as the same day, or it can be a more extended time period, depending on how comprehensive or how complete the initial request is, not that it requires a lot of documentation, but just being very clear.

We want some training on procurement, or we need assistance with developing our procurement policies and procedures. This is our first time around. This is the person who they would be working with and their

contact information. We would be available during this time period to receive the services.

If a request is that comprehensive, which that was just one or two sentences, it makes it easier for your POC to determine, one, the reasonableness and necessity of those services. Then when it's forwarded to the GTMs for approval for funding, they then know what funding bucket it falls in under the contract. That can get your assistance started a lot sooner if you provide that information.

Why would you want to get this assistance? One, it's to minimize your burden. OHC has taken a proactive approach and really to minimize your financial burdens as well because this assistance is at no charge to your organization directly. It's coming through your grant being a part of the Office of Housing Counseling's network and through your grant award or even if you're just in a network. Financially it takes some of the burden off of you, and it also take some of the burden administratively of you trying to implement this along with all the other requirements, not just for this award but multiple.

We potentially reduce findings during performance and financial reviews. As I said, depending on when you're required to have implemented this, if we can work with you proactively, then that should minimize the findings on the backend. That is one of the things OHC is committed to is to try to provide what assistance they can so that when it's time for the financial and administrative reviews, they're minimizing your findings as it relates to compliance.

It provides financial and administrative technical assistance that you can use for other federal awards. If you're pursuing and submitting applications for other federal awards, then your organization, through this assistance can be in compliance with that requirement, and you use that as leverage as part of your resources and your technical management capability as you're pursuing other federal awards. It's definitely a transference to other federal awards.

Then, for intermediaries, reduce some of your administrative burdens, and oversight, and monitoring of sub-grantees or sub-recipients by being able to work with them directly to make sure they're in compliance which, of course results in you having to do less from a monitoring side and minimizing their potential for non-compliance.

This is just to go over some of the resources if you want to read through some of the resources we discussed in the slides, from the bulletin, going back to the CFR, to going to FAR, and then going to the Government Accounting Office reports that we talked about. These are some references, some resources if you want to get more information relative to some of the things discussed on this presentation.

I've noted that we have questions in the queue. If you did not receive your response to your question, if you could just copy and paste it out of that chat, and forward it to housing.counseling@hud.gov, and include Overview of Procurement in the subject line, then Ginger and her team will make sure that it gets to the correct individual, and we'll respond accordingly. A lot of questions, so we may not be able to respond to them during this particular training presentation.

We thank you for your time. We are discussing subsequent trainings to go over specific areas, for instance, for organizations that just have pretty much micro-purchases, potentially what do those policies and procedures look like? What should we be cognizant of? What are some processes

and things of that nature, maybe for simplified acquisitions, looking at those areas and then providing more intensive training.

As we said, today was an overview. It's a lot of information. You should get a survey within one to two business days, well, immediately following this training. Please complete that survey. In that survey, if there's other areas, other procurement you believe we need to have more further in-depth training, please indicate there because we use that information to plan future trainings.

Once again, we thank you for your time and your participation, and enjoy the rest of your afternoon.

Moderator That does conclude your conference for today. You may now disconnect.