
CHAPTER 5

Small Purchase Procedures



Contents

- Micro-purchases
- Small Purchases
- Petty Cash
- Use of Indefinite Delivery Contracts
- Bid- or quote-splitting
- Purchase Orders
- Required Forms and Mandatory Contract Clauses



Introduction

- Small purchase procedures are designed to give PHAs needed flexibility needed to make purchases supporting day-to-day operations.
- Current threshold for small purchases: \$250,000.
- Local and state procurement laws may have lower thresholds.
 - PHA's threshold must not exceed federal limits.
- Authority: 2 CFR §200.320(b)



Micro-purchases

- Threshold: \$10,000 (must not exceed \$10,000 in the aggregate during any one-year period)
- Procurement: may award without soliciting quotes
- Selection: price must be reasonable
- Documentation required:
 - ICE not required
 - CO signature verifies costs are appropriate
 - Documentation must be available for 3 years after final payment



Small Purchases

- Federal threshold: \$250,000 (check local threshold)
- Procurement: PHA must solicit and receive quotes (typically 3)
- Selection: Multiple methods of distributing solicitation
- Documentation required:
 - Independent Cost Estimate (ICE): required, but keep documentation to a minimum
 - Documentation indicating bids/quotes were obtained and price reasonableness
 - If only one quote is received, CO must include:
 - Statement indicating that price was reasonable based on market research or prior purchases
 - If applicable, explanation for absence of competition
 - Explanation supporting award on other factors unrelated to price (i.e., nonresponsive or not responsible)
 - Documentation must be available for 3 years after final payment



Petty Cash

- Used for very small, one-time purchases
- Petty cash fund policy includes:
 - Maximum amount of money to be kept in the fund
 - Maximum purchase amount
 - Staff person(s) to administer fund
 - Documentation needed to support purchases
 - Method for tracking purchases
 - When funds are replenished



Use of Indefinite Delivery Contracts

- Sometimes called Blanket Purchasing Agreements (BPAs)
- Typically used when PHAs need to make frequent small purchases to address a recurring need
- Exact items, quantities, and delivery requirements are unknown, but unit cost or total available funds is known
- BPAs allow PHA to order supplies or services from a pre-set competed price list without having to make separate purchases every time
- Competition required over the Micro-purchase Threshold (in the aggregate)



Use of Indefinite Delivery Contracts, cont.

- Vendors selected through competitive solicitation process
 - PHA evaluates bids for price and quality of goods to be provided
- PHA may have more than one vendor for the same products
- Things to remember:
 - Each order placed by PHA is the contract form for that order
 - BPAs will have a maximum not-to-exceed amount
 - Designate which employees and under what conditions orders will be placed



No Bid-splitting Allowed

- PHAs may not break up purchases into small amounts to qualify under small purchase or micro-purchase thresholds.
- Example:
 - PHA has to purchase 40 new refrigerators estimated to cost \$32,000. PHA should solicit and receive 3 quotes from qualified vendors (small purchase). Instead, PHA orders 10 refrigerators at a time from the same vendor to stay below micro-purchase threshold and will not have to solicit quotes.



Purchase Orders

- Generated by PHA specifying type, quantity, quality, timeframe, and price for product/service
- Contract = PHA issues purchase order and vendor accepts it
- Elements of a purchase order:
 - Scope of work/services
 - Price
 - Delivery
 - Method of payment
 - Inspection
 - Acceptance



Required Forms and Mandatory Contract Clauses

- Table 5.1 of HUD Procurement Handbook contains clauses regarding:
 - EPA requirements
 - Ownership of data and patent rights
 - Energy efficiency
 - Termination for cause and for convenience
- Must be included in all small purchase contracts (except construction)
- PHA can incorporate language into body of contract or attach Table 5.1 as an appendix



Required Forms and Mandatory Contract Clauses, cont.

- Required forms for small purchases for construction or maintenance exceeding \$2,000
 - Clauses in Table 5.1 of the HUD Procurement Handbook
 - HUD-5370-EZ or HUD-5370 (Construction)
 - Section II of form HUD-5370-C (Maintenance)

