



**DATE:** August 28, 2020

**DIRECTIVE NO:** 55-20

**RECISSION:** La Cooperativa Directive No. 18-09

**TO:** All La Cooperativa Subrecipients

**SUBJECT:** Procurement of Goods and Services

**REFERENCES:**

- Workforce Innovation and Opportunity Act (WIOA) (Public Law 113-128)
- Title 20 CFR WIOA, Final Rule
- Title 2 Code of Federal Regulations (CFR) Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- Memorandum dated June 20, 2018: Executive Office of the President, Office of Management and Budget (OMB), "Implementing Statutory Changes to the Micro-Purchase and the Simplified Acquisition Thresholds for Financial Assistance"
- Title 2 CFR Part 2900: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Department of Labor [DOL] Exceptions)
- WSD16-16, Subject: Allowable Costs and Prior Written Approval (February 21, 2017)
- Workforce Services Directive WSD16-10, Subject: Property - Purchasing, Inventory, and Disposal (November 10, 2016)

**BACKGROUND:**

On December 26, 2013, OMB issued the Uniform Guidance under Title 2 CFR Part 200, in order to streamline the guidance on administrative requirements, cost principles, and audit requirements for federal awards. The Uniform Guidance consolidated multiple, previously separate, sets of OMB guidance into one combined set of rules. On December 19, 2014, the DOL adopted the Uniform Guidance and issued DOL Exceptions under Title 2 CFR Part 2900.

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The Uniform Guidance provides fiscal and administrative guidance for the administration of the WIOA program, including specific requirements for purchasing goods or services as related to equipment. While the format and wording of the Uniform Guidance and DOL Exceptions vary slightly from OMB's previous circulars, the intent of the federal government is consistent. The intent is to ensure that purchases of goods or services are approved and performed through fair and open competition.

## **DEFINITIONS**

Contract – A legal instrument by which a subrecipient purchases property or services needed to carry out the project or program under a federal award. This term does not include a legal instrument, even if the non-federal entity considers it a contract, when the substance of the transaction meets the definition of a federal award or subaward (Uniform Guidance Section 200.22).

Contractor – An entity that receives a contract (Uniform Guidance Section 200.23).

Conflict of interest – An employee, officer, agent, or any member of the organization that has interest in a financial gain or tangible benefit and who participates in the selection, award, or administration of a contract supported by a federal award (Uniform Guidance Section 200.318[c][1]).

Cost Analysis – An element-by-element review and evaluation of the estimated or actual cost to determine the probable cost to the contractor.

Equipment – tangible personal property (including information technology systems) having a useful life of more than one year and an per unit acquisition cost of which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes, or \$5,000 (Uniform Guidance Section 200.33).

Firewall – An established policy or procedure that acts as a barrier or protection against an undesirable influence, outcome, or authority. Examples of firewalls include but are not limited to organizational arrangements that provide clear separation of duties and responsibilities, reporting hierarchy of managers and staff that provide clear separation between job duties and responsibilities, and conflict of interest/confidentiality/disclosure agreements.

Information Technology Systems – Information technology systems means computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources (Uniform Guidance Section 200.58).

Invitation for Bid (IFB) – A type of solicitation document used in a formal competitive bidding process, which contains a detailed statement of what the agency is attempting to purchase. An IFB is used to obtain simple, common, or routine services that may

require personal or mechanical skills. Qualifying bidders compete solely on the basis of cost (California State Contracting Manual).

Labor Surplus Area Firm – The Department of Labor maintains a listing of areas of the nation where the average unemployment rate is 20% higher than the national unemployment rate.

Micro-Purchase Threshold – Fiscal threshold set by Federal Acquisition Regulation (currently \$10,000 per Federal Acquisition Regulation [FAR] 48 CFR Subpart 2.1). The threshold is periodically updated based on inflation.

Pass-through Entity – A non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program (Uniform Guidance Section 200.74).

Price Analysis – The process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit. This process determines whether the price is fair and reasonable.

Procurement – All stages of the process of acquiring property or services, beginning with the process for determining a need for property or services and ending with contract completion and closeout.

Questioned costs – Any cost or procurement that is questioned by an auditor, pass-through entity or awarding agency representative. Purchases can be questioned due to possible violations of statutes and regulations, inadequate documentation or possible unreasonable costs (Uniform Guidance Section 2900.3).

Request for Proposal (RFP) – A type of solicitation document, used in a formal competitive bidding process where an invitation is presented for suppliers to submit a proposal on a specific commodity or service. The RFP process brings structure to the procurement decision and is meant to allow the risks and benefits to be identified clearly up front. The RFP is used to obtain complex services in which professional expertise is needed and may vary and/or where different methods and approaches may be applied during performance (California State Contracting Manual).

Request for Quote (RFQ) – A type of solicitation document, used in a formal competitive bidding process, mainly when the specifications of a product or service are already known and when price is the main or only factor in selecting the successful bidder.

Simplified Acquisition Threshold – Fiscal threshold set by Federal Acquisition Regulation (currently \$250,000 per FAR Subpart 2.1). The threshold is periodically updated based on inflation.

Subaward – An award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract (Uniform Guidance Section 200.92).

Subrecipient – A non-federal entity that receives a subaward from a pass-through entity to carry out part of the federal program, but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from the federal awarding agency (Uniform Guidance Section 200.93).

Supplies – All tangible personal property other than equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life (Uniform Guidance Section 200.94).

## **POLICIES AND PROCEDURES**

The guidance in this directive applies to all purchases of equipment (goods) and related services for the operation and support of the WIOA program or for the benefit of WIOA participants. The procedures and guidelines described in this directive are to be used by all La Cooperativa Campesina de California (LCCDC) subrecipients using WIOA funds to make a purchase.

Subrecipients must use their own documented procurement procedures as long as they are consistent with applicable state and local laws and regulations and the procurements conform to the applicable standards in Uniform Guidance Sections 200.318 through 200.326.

Subrecipients must have written procurement procedures that include, but are not limited to, the following:

- Procedures to administer contracts and ensure contractors perform in accordance with the terms, conditions and specifications of contracts.
- A written code of conduct and clearly established firewalls for employees engaged in the award agreements or administration to avoid any internal or external conflict of interest.
- Procedures that detail the requirement for a review of prospective procurements to avoid purchase of unnecessary or duplicate items.
- Procedures that promote the use of shared resources and other agreements for common goods and services, as well as the use of federal excess and surplus property wherever possible.

- Standards to ensure that awards are made only to responsible contractors. The awarding agency standards should address integrity, compliance with public policy, past performance, and contractor resources (technical and financial) for prospective contractors.
- Procedures should document each significant step in making an award. The documentation should include: rationale for method of procurement, selection of agreement type, selection or rejection criteria, and the basis for the contract price, including the independent agency estimate of price.
- Procedures which details the settlement of all procurement issues, including those related to source evaluation, protests, claims, and disputes.
- Procedures to utilize small, minority, or women owned business or labor surplus area firms whenever possible.
- Procedures for analysis of lease versus purchase alternative to determine the most economical and practical procurement (Uniform Guidance Section 200.323).
- Procedures for conducting a price or cost analysis for every procurement action that exceeds the Simplified Acquisition Threshold. The extent of the analysis should depend on factors of the procurement, but at minimum include an estimated cost of the purchases before bids or proposals are sought (Uniform Guidance Section 200.323).

Each subrecipient's written procurement policies must be established and available for review by LCCDC, the Employment Development Department (EDD) or the US Department of Labor (DOL). These policies may be self-certified.

### **Additional WIOA Requirements**

In addition to the requirements of Uniform Guidance Sections 200.318 through 200.326, the following requirements apply to procurements and agreements funded under the WIOA:

- If a fixed amount award with a governmental or nonprofit agency results in revenues in excess of actual costs incurred, the excess revenues are considered to be program income (DOL Final Rule Section 683.200[c][7]). Any fixed amount awards should reference this requirement. For more information regarding program income refer to the directive Program Income (WSB 15-25).
- The procurement requirements do not apply to the identification of eligible training providers. The process for identification of eligible training providers for training services under the WIOA is described in DOL Final Rule Section 680, Subpart B. EDD is responsible for the development and maintenance of a State-wide training provider list. While not a federal requirement, each subrecipient should have a formal agreement for services when a training

provider is to deliver services. This may be in the form of a purchase order, contract, voucher, or other mechanism that provides for payment information and may be incorporated or referenced in the Individual Training Accounts (ITA).

### **Reasonable Costs**

All WIOA procurements must be “necessary and reasonable” in the operation of the WIOA programs and conform to the following:

- Consistent with uniform guidance and established policies and procedures.
- Similar costs must be considered either direct or indirect costs.
- Costs must be determined with generally accepted accounting principles.
- Costs must not be used as cost sharing or matching requirements.
- Costs must be adequately documented.

Procurements may benefit other non-WIOA/organizational operations as long as the procurement is necessary to WIOA program and the cost can be distributed in proportion of use. If the procurement benefits multiple WIOA projects the cost should be allocated based on relative benefit. If the relative benefit cannot be determined, a reasonable and documented method may be used. Costs cannot be shifted to additional programs to overcome fund deficiencies or to avoid federal restrictions (Uniform Guidance Section 200.405).

### **Prior Approval**

Written prior approval from LCCDC and EDD is required for equipment and related services under the following criteria:

- Procurements with a per-unit cost for specific subaward related equipment that exceeds \$5,000.
- Related procurements with cumulative costs that exceed \$5,000 within the same state fiscal year.
- Procurements resulting in improvements to land, buildings, or equipment which exceed \$5,000.

Approval will be based on the reasonableness and allowable criteria (as outlined above), availability of funds, and other considerations. Written approval will include the timeframe or scope of the agreement (Uniform Guidance Section 200.407). Public exigency or emergency resulting in an immediate procurement need waives the requirement for prior approval, however, approval should be sought afterwards to conform of the appropriate use of WIOA funds.

Ongoing procurement costs such as subscriptions, maintenance, license, support costs or procurement which are otherwise paid annually will be considered approved after the initial approval if the cost remains constant or decreases.

Procurements under \$5,000 which have additional or unexpected charges within the same 12-month period which causes the total cumulative cost to exceed \$5,000 can be submitted for Retroactive Approval through the prior approval process. The Retroactive Approval should be requested before the cumulative charges exceed \$5,000. Cumulative charges are only applicable for procurements of a single or set of similar or connected goods or services (e.g. servers and related infrastructure or computers and computer memory for equipment).

### **Procurement Methods**

All procurement actions are to be conducted in a manner that provides for “full and open competition” (Uniform Guidance 200.319). No procurement transaction will contain any requirements that restrict competition, unfairly promotes a single contractor or product, places excess burden on a contractor, or presents an organizational conflict of interest.

The type of purchase method is generally determined by the “per transaction” value of the procurement and the type of good or service being purchased. “Per transaction” is a single solicitation for a single item (e.g., copy machine), group of related items (e.g., office furniture), or a specified service (e.g., staff training). Purchases are not to be broken down into smaller components to avoid more stringent procurement requirements.

Within the context of open competition, there are five procurement methods by which subrecipients may procure goods or services; micro purchase, small purchase, sealed bids, competitive proposals, and noncompetitive proposals.

#### **Micro Purchase**

The micro purchase procurement method is used when the “per transaction” value of a purchase is less than the micro-purchase threshold (currently \$10,000 per Federal Acquisition Regulation [FAR] 48 CFR Subpart 2.1), and may be used without soliciting competitive quotations if the price is reasonable. The micro-purchase threshold is periodically updated based on inflation. To the extent practicable, micro-purchases must be distributed equitably among qualified suppliers. Although micro-purchases are not required to receive written prior or purchase approval, they must still be documented.

#### **Small Purchase**

The small purchase procurement method may be used when the “per transaction” value of a purchase of equipment or services is less than the Simplified Acquisition Threshold (currently \$250,000 per FAR Subpart 2.1). The Simplified Acquisition Threshold is periodically updated based on inflation. Informal quotations are used for small purchase

procurements, in lieu of the more expensive and time-consuming sealed bid or competitive proposal methods.

Price as determined by a price analysis is generally the main factor when determining awards. However, other factors such as availability, delivery time, current stock, and location can be taken into consideration.

Purchases between \$10,000 and \$250,000 require a minimum of two documented quotes from qualified sources. Documented quotes can be obtained from catalogs, price lists, or from a contractor in writing. Catalogs or price lists should be no more than one year old.

Proper documentation for a small purchase includes the following:

- The reason for selecting the small purchase method.
- The subrecipient's estimate of the potential purchase price.
- A description of the goods or services being purchased, including the quantity and any additional criteria used to determine the procurement decision.
- All providers contacted/considered and the prices offered using current catalogs, price lists, prior sales receipts, or formal quotes depending on the amount of the purchase.
- Why the provider was selected, including how the provider met any additional criteria, and the price analysis.
- Copy of the purchase document (sales receipt, contract).

### Sealed Bids

The sealed bid procurement method is generally used when the "per transaction" value of the good or service to be purchased will be more than the Simplified Acquisition Threshold, and its nature can be precisely defined. The desired procurement must have a complete, adequate and realistic specifications or purchase description.

The sealed bid process requires the issuance of an Invitation for Bid (IFB). The IFB must be publicly solicited or advertised to an adequate number of known suppliers, provide sufficient time to respond, and clearly state specifications, bidding processes, and dates. The IFB defines the quantity, timeframes, product requirements, specifications, and pertinent attachments of the good or service being purchased. Contractors are notified of the purchase requirements and submit a sealed bid to a specified location by a specified date and time.

A diligent effort should be made to secure at least three competitive bids. The responsible bidder (a bidder that can meet the technical requirements of the procurements) that submits the lowest bid will be awarded the contract. The lowest bid should be calculated with factors such as discounts, transportation, and life cycle costs. Any bidder that falls



outside of the parameters will normally have their bid rejected. Award of a firm fixed-price or fixed unit price contract by written notice is sent to the lowest responsible bidder. Bids may be rejected with sound and documented rational. If only one bid is obtained and that bidder is deemed to be responsible, then the noncompetitive process may be used.

Proper documentation for a sealed bid purchase includes the following:

- The reason for selecting the sealed bid method.
- The subrecipient's estimate of the potential purchase price.
- A copy of the IFB.
- Bids received.
- Determination of the responsibility of the bidder.
- Why the vendor was selected.
- Copy of the award document.

### Competitive Proposals

This method is typically used when the "per transaction" value of the good or services will be more than the Simplified Acquisition Threshold, but its nature cannot be defined as precisely as required by the sealed bid method. Competitive proposals are specifically used when factors other than price are important in the selection decision or if the technical requirements or specifications are of a functional nature or unclear.

The competitive proposal procurement method is generally used when conditions for a sealed bid cannot be met. The Request for proposal (RFP) must be publicly solicited or advertised to an adequate number of known suppliers. An RFP should be issued that defines quantity, timeframes, product requirements, specifications, and the evaluation factors used along with their importance. Contractors submit a proposal based on the purchase requirements of the RFP to a specified location by a specified date and time to be evaluated.

All proposals should be considered on the merits of the proposal and a written review of technical evaluations should be retained for each. The review committee then makes a final recommendation as to which proposal(s) best meets the stated requirements. Careful documentation of the successful bidder selection should be maintained for reference. A public notice of intent to award should be issued followed by the award and the execution of the contract. If only one proposal is obtained and that proposal is deemed to be responsible, then the noncompetitive proposal method may be used.

If less than three bids are received during a competitive process, justification must be written explaining the limited participation. The justification should include firms and individuals contacted. These documents should be kept in the agency's contract file and submitted with procurement requests, if applicable.

Proper documentation for a competitive proposal purchase includes the following:

- The reason for selecting the competitive proposal method.
- The subrecipient's estimate of the potential purchase price.
- A copy of the RFP.
- Proposals received.
- The scoring criteria and the evaluation/scoring sheets for each proposal, including determination of the responsibility of the bidder and the cost analysis.
- Why the provider was selected.
- The public notice of intent to award.
- Copy of the award document.

### Noncompetitive Proposals

Noncompetitive proposals may only be used under certain limited circumstances. The reason for selecting this method along with the justification for the provider selection must be carefully documented and maintained. Per Uniform Guidance Section 200.320(f), the purchase must be infeasible under one of the other methods discussed above, and one of the following conditions apply:

- The good or service is available from only one source.
- Public exigency or emergency creates an immediate procurement need (e.g., a flood or fire requires the immediate availability of services).
- The federal awarding agency or pass-through entity authorizes the specific noncompetitive procurement (upon a formal request for approval).
- Competition is determined inadequate. This usually occurs after a sealed bid or competitive process has been used and there are insufficient bidders.

Proper documentation for a noncompetitive proposal purchase includes the following:

- The reason for selecting the method, including why the procurement was infeasible under one of the other procurement methods and which of the additional conditions the procurement met.
- The estimate of the potential purchase price.
- A copy of the RFQ/IFB/RFP.
- A determination of the responsibility of the bidder.
- Why the provider was selected.
- Copy of the award document.

## Procurement Method Review

Procurement Method	Cost Limits	Minimum Bids/Quotes Needed
Micro Purchases	Less than \$10,000	One quote at a reasonable cost
Small Purchases	Between \$10,000 and \$250,000	Two quotes: written or from a catalog
Sealed Bids	Any	Three formal written bids in response to an IFB
Competitive Proposals	Any	Three written competitive proposals in response to an RFP
Noncompetitive Proposals	Any	All bids and quotes obtained

## Questioned and Disallowed Costs

Funds used for procurements that are determined by an auditor, the cognizant agency, the pass-through entity or authorized awarding agency representative to be unallowable will be returned to the federal government (Uniform Guidance Section 200.345). Such unallowable procurements are defined as questioned costs in DOL Exceptions Section 2900.3. Questioned costs could result from the following:

- Procurements that violate statute, regulations, or terms and conditions of award.
- Procurements without support documentation.
- Procurements with unreasonable costs.

## Required Contract Clauses

Contracts entered into by subrecipients may be fixed price or cost reimbursement, depending on the method of procurement and goods or services being procured. Each agreement funded by federal funds must contain the following contract clauses referred to in Uniform Guidance Appendix II to Part 200, as applicable:

- All contracts in excess of the Simplified Acquisition threshold must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms. The clause must also provide for sanctions or penalties, as appropriate.
- All contracts in excess of \$10,000 must address termination for cause and for convenience by the non-federal entity, including the process for exercising the clause and the basis for settlement.
- Compliance with Equal Employment Opportunity provisions identified in 41 CFR Part 60.
- Compliance with the *Davis-Bacon Act* (40 U.S.C. 3141–3144 and 40 U.S.C. 3141-3148) for prime construction contracts in excess of \$2,000.

- Compliance with the *Contract Work Hours and Safety Standards Act* (40 U.S.C. 37013708) for contracts in excess of \$100,000 that involve the employment of mechanics or laborers.
- Compliance with *Rights to Inventions Made by Nonprofit Organizations and Small Business Firms under Government Grants* (37 CFR Part 401) for any small business or nonprofit organization.
- Compliance with the *Clean Air Act* (42 U.S.C. 7401–7671q.) and the *Federal Water Pollution Control Act* (33 U.S.C. 1251–1387) for any contract in excess of \$150,000.
- A provision requiring that contracts must not be issued for any entity listed on the Excluded Parties List System in the System for Award Management (SAM)
- Compliance with the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352) for contractors bidding over \$100,000.
- Compliance with Section 6002 of the *Solid Waste Disposal Act* and 40 CFR part 247 for items in excess of \$10,000.


It should also be included in all applicable agreements that, regardless of the procurement method, anyone who provides WIOA services must abide by the WIOA equal opportunity and nondiscrimination provisions of Section 188 and 29 CFR Part 38.

**ACTION:**

LCCDC and its subrecipient shall follow this policy. This policy will remain in effect from the date of issue until such time that a revision is required.

**INQUIRIES:**

Inquiries should be addressed to Marina Tapia at 916-388-2224.

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Marco Lizarraga  
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