

Implementation Tips for USAID Partners

Sharing Resources and Knowledge Among the Global CSO Community

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Definitions

Allowable Cost—A cost incurred specifically to support or advance the objectives of your award.

Procurement—The process of acquiring goods, supplies and services in support of program activities.

Micro-Purchase Threshold—The amount your organization sets under which your procurement process may be simplified. For example, if your micro-purchase threshold is \$1,000, you may be required to secure a minimum of three bids on items above that amount but not on items equal to or below that amount.

Unallowable Cost—A cost the USG will not reimburse, either because of regulations or because the cost is not reasonable or appropriate.

References

[USAID Acquisition & Assistance Policy Directives \(AAPDS\) and Contract Information Bulletins \(CIBS\)](#)

AAPDs serve as official sources for the latest updates in acquisition and assistance (A&A) policy and requirements. AAPDs provide information of significance including, but not limited to, advance notification of changes or implementation of new requirements to A&A regulations and procedures.

[Standard Provisions for US Nongovernmental Organizations](#)

[Standard Provisions for Non-US Nongovernmental Organizations](#)

Mandatory Reference for ADS 303

[2 CFR 200.317-325](#)

Established procurement standards required by the US Government

Overview of Procurement Policies

Q. What policies governing purchasing goods, supplies and services does our organization need to effectively manage USAID funds?

A. U.S. Government (USG) procurement regulations dictate what items award recipients can buy, where they can buy them, how to buy and ship them, what taxes are applicable and what documentation is required.

By entering into an agreement with the United States Agency for International Development (USAID), an organization commits to guaranteeing that all aspects of its project implementation are in line with USG policies, rules and regulations. Not fulfilling these obligations can result in penalties. The terms and conditions of an award are outlined in a Cooperative Agreement or other legally binding document your organization signs.

The following is meant to help you develop policies, procedures and practices for acquiring goods and services based on applicable regulations. (It is not a substitute for USAID *Standard Provisions for Non-US Nongovernmental Organizations – Mandatory Reference for ADS 303*.)

Establishing Good Procurement Policies, Procedures and Practices

As a recipient of USG funds, one of your goals is to make sure this money is used to deliver needed services to beneficiaries as efficiently and cost effectively as possible. To do this, an organization needs an effective and efficient procurement policy, as well as procedures and practices to operationalize it. A sound procurement policy helps your organization:

- establish and maintain control procedures;
- maintain written standards of conduct addressing conflicts of interest;
- seek open competition to obtain the best value for the money;
- ensure that staff do not mishandle funds;
- avoid purchasing dangerous or low-quality goods that could potentially cause more harm than good;
- avoid purchasing unnecessary items; and
- protect itself and its beneficiaries.

Items for Consideration

U.S. Small, Minority- and Women-Owned Businesses

Prime U.S.-based recipients when working in the United States should try to use U.S. small businesses and minority- and women-owned firms. To achieve this, your policies should:

- Consider whether a firm intends to subcontract with small, minority- or women-owned businesses in your evaluation process.
- Encourage contracting with consortiums of small, minority- or women-owned businesses when a contract is too large for any single firm to handle individually.
- Use the services of various USG agencies and organizations, such as the Small Business Administration and the Department of Commerce's Minority Business Development Agency, in your solicitation process.

Policy Elements, Procedures and Practices

Standards of Conduct

Develop written standards of conduct for employees and officers in your organization involved in selecting and overseeing procurement. These standards of conduct should address:

- **Conflict of Interest**—Employees should not be involved in selecting, awarding and/or overseeing procurements if there is a real or perceived conflict of interest. This includes situations where the employee, any member of the employee's immediate family or the employee's partner has a financial or other interest in the business being considered or selected for an award. This includes any organization that employs or is about to employ the employee, family member or the employee's partner.
- **Gratuities**—Employees must not request or accept gratuities, gifts, favors or anything of monetary value from subagreement contractors or vendors. However, you may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.
- **Disciplinary Actions**—The standards of conduct must outline the disciplinary actions to be applied to employees who violate these rules.

Free and Open Competition

To encourage free and open competition to the maximum extent possible, be sure to take into account the following:

- **Unfair Competitive Advantage**—Vendors that help you develop statements of work should be barred from bidding on that work. Furthermore, noncompetitive contracts to consultants who are on retainer contracts should be avoided.
- **Unreasonable or unnecessary requirements**—placing unnecessary requirements on firms in order for them to qualify to do business should be avoided because it limits free and open competition.
- **Clear Evaluation Criteria**—Solicitations should be clear about what criteria your organization will use to evaluate bids. Be wary of specifying only a "brand name" product; always allow "an equal" product to be offered.

Procurement policies are meant to ensure that your organization does not mishandle funding or use it to purchase dangerous or low-quality goods that could potentially cause more harm than good.

General Procurement Procedures

To help assure that you are managing your money well, include the following in your procurement policy:

- Consider both lease and purchase alternatives, and select the most appropriate for your situation.
- Include in all solicitations:
 - * eligibility to participate in the procurement process;
 - * description of technical requirements;
 - * criteria to be used in evaluating bids;
 - * minimum acceptable performance standards;
 - * specific features of required items; and
 - * preference for energy-efficient items and products that conserve natural resources.

Procurement Instruments

Specify when to use various procurement instruments, such as fixed-price contracts, cost-reimbursable contracts and purchase orders. Your policies should prohibit the use of “cost-plus-a-percentage-of-cost” or “percentage-of-construction-cost” methods of contracting. A time and materials (T&M) contract may only be used after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk.

Contractor Evaluation

Clearly state that you will only enter into contracts with vendors that you believe can successfully complete the work required. Your policy should consider contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources. Your policy should also include a process for ensuring suppliers are not listed on [System for Award Management \(SAM\)](https://www.sam.gov) (www.sam.gov).

Documentation Procedure

Include a process that records some form of price or cost analysis with every procurement action. The cost analysis should include the allowability test, which is covered in *Implementation Tips* issue Compliance 2: *Procurement Processes and Allowability*.

For More Information

For this or other issues of *Implementation Tips*, please visit www.NGOConnect.net. The Web site is a dynamic and interactive portal dedicated to connecting and strengthening CSOs, networks and CSO support organizations worldwide.

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Micro-Purchase Threshold

You may wish to establish different procedures and practices under your policy for procurements of different financial amounts by adopting a micro-purchase threshold. This will allow you to have more rigorous treatment for larger purchases and simplified treatment for smaller purchases.

For example, if your micro-purchase threshold is \$1,000, you may be required to secure a minimum of three bids on items above that amount but not on items equal to or below that amount.

According to USG requirements, the maximum micro-purchase threshold is \$3,500; however, your organization's micro-purchase threshold should be set as part of your overall procurement policy based on the local context.

Records for Large Purchases

At a minimum, keep records with the following information on all procurements that exceed your micro-purchase threshold:

- basis for contractor selection;
- justification for lack of competition when competitive bids were not obtained (often referred to as sole source procurement);
- documentation on terrorism searches; and
- basis for award cost or price (written quotations or proforma invoices collected).

Contract Administration System

Include a system for ensuring contractors meet the terms, conditions and specifications in the contract. You should also have a process for evaluating contractor performance that documents whether the contractor met the terms, conditions and specifications of the contract. Contracts should also include terms and conditions to protect your organization.

USG Pre-Award Review

If your organization does not have procurement policies in place that meet the minimum standards listed above (for example, if USAID issued pre-award survey findings to this effect), your funding agency may impose increased monitoring of your award procurements.

