



Procurement procedures: Is your nonprofit *really* in compliance?

The relatively new federal procurement standards significantly alter the way not-for-profits receiving federal funding handle purchasing. And while your organization may have changed its written policies to comply with the revised standards, it may be easier to follow the rules on paper than in practice.

Summing up the standards

The standards, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” impose strict requirements on nonprofits receiving federal funds. For example, you must pay attention to the amount of a purchase because it determines the procurement methods you need employ.

“Micro-purchases” of supplies or services up to \$3,500 generally can be awarded without soliciting competitive quotes. “Small purchases” of services, supplies or other property that don’t cost more than \$150,000 require price or rate quotes from several qualified sources.

For purchases exceeding \$150,000, you must select vendors or suppliers based on publicly solicited sealed bids or competitive proposals. Select the lowest bid or the proposal most advantageous to the relevant program based on price and other factors that impact the program performance. Also perform a cost or price analysis for every purchase over \$150,000, to make independent estimates before receiving bids or proposals.

Noncompetitive proposals solicited from a single source are permissible in only limited circumstances. For example, they’re allowed in the event of a public emergency where the nonprofit must respond immediately.

Clearing documentation hurdles

You should already be following the revised standards, which went into effect in fiscal year 2017. However, some nonprofits have found it challenging. Significant barriers to full compliance include culture shock and staff resistance. Also, these standards have multiple documentation requirements that few organizations previously met:

- All procurement procedures must be documented in writing.
- Conflict of interest policies covering employees involved in procurement as well as all entities owned by or considered “related” to your organization need to be included.
- You must keep records detailing each procurement — including bids solicited, selection criteria, quotes from vendors and the final contract price.

Designing a checklist that outlines the decisions needed at each price level will make the process more manageable, as will keeping the required documentation.

Reduce the risk

Failure to comply with procurement standards could result in your nonprofit’s loss of federal funding. You can reduce that risk, though, by auditing your new procedures and processes to confirm that they’re getting the job done. Contact us for assistance.