## Instruction for Development of Procurement Policy

The subgrantee agreement requires the subgrantee to put in place policies and procedures to ensure compliance with all state and federal regulations.

Statistically, procurement compliance is the highest risk component for federal disaster recovery funding like American Rescue Plan State & Local Fiscal Recovery Funds. To minimize the risk, MSDH has determined the subgrantee must submit their procurement policies for review prior to the release of grant funds.

The following sample policy was developed specifically for the Rural Water Association Infrastructure Grant program. It is a hybrid of state and federal procurement laws designed to assist grantees in implementing internal controls over procurement process. If your organization adopts this policy, it will be expected to implement the policy for transactions related to the RWAIG funding only.

Subgrantees are not required to adopt the sample policy, and are welcome to use existing policies or to develop their own policies. Subgrantees may also modify the sample policy if desired by the governing board to additional control elements. We do not recommend removing elements from the policy. Once again, grantee must submit a procurement policy to Mississippi State Department of Health before funding request will be processed. Non-federal entities should review their own local policies and consult with their attorneys to make modifications as needed when adopting this policy. For individual contracts, non-federal entities also should consult their grant award documents and with their federal grantor agency to determine whether additional procurement requirements apply.

In order to adopt the policy, organizations will need to make the following updates:

* Amend any highlighted portions of the policy.
* Replace the words ‘Non-federal Entity’ with the name of the Rural Water Association\
* Update header, adding organization name
* Provide a copy of the board minutes where this policy or similar was adopted

## Non Federal Entity Procurement Policy

**I. Purpose**

The purpose of this policy is to establish guidelines that meet or exceed the procurement requirements for purchases of goods (apparatus, supplies, materials, and equipment), services, and construction or repair projects when federal funds are being used in whole or in part to pay for the cost of the contract. To the extent that other sections of procurement policies and procedures adopted by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [Non-federal Entity] are more restrictive that those contained in this policy, local policies and procedures shall be followed.

**II. Policy**

1. **Application of Policy.** This policy applies to contracts for purchases, services, and construction or repair work funded with federal financial assistance (direct or reimbursed). The requirements of this Policy also apply to any subrecipient of the funds.

All federally funded projects, loans, grants, and sub-grants, whether funded in part or wholly, are subject to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards (Uniform Guidance) codified at 2 C.F.R. Part 200 unless otherwise directed in writing by the federal agency or state pass-through agency that awarded the funds.

1. **Compliance with Federal Law.** All procurement activities involving the expenditure of federal funds must be conducted in compliance with the Procurement Standards codified in 2 C.F.R. § 200.317 through § 200-327 unless otherwise directed in writing by the federal agency or state pass-through agency that awarded the funds. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [non-federal entity] will follow all applicable local, state, and federal procurement requirements when expending federal funds. Should the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [Non-federal Entity] have more stringent requirements, the most restrictive requirement shall apply so long as it is consistent with state and federal law.
2. **Contract Award.** All contracts shall be awarded only to the lowest responsive responsible bidder possessing the ability to perform successfully under the terms and conditions of the contract.
3. **No Evasion.** No contract may be divided to bring the cost under bid thresholds or to evade any requirements under this Policy or state and federal law.
4. **Contract Requirements**. All contracts paid for in whole or in part with federal funds shall be in writing. The written contract must include or incorporate by reference the provisions required under 2 C.F.R § 200.327 and as provided for under 2 C.F.R. Part 200, Appendix II.
5. **Contractors’ Conflict of Interest.** Designers, suppliers, and contractors that assist in the development or drafting of specifications, requirements, statements of work, invitation for bids or requests for proposals shall be excluded from competing for such requirements.
6. **Approval and Modification.** The administrative procedures contained in this Policy are administrative and may be changed as necessary at the staff level to comply with state and federal law.
7. **MSDH Submittals.** Contractual agreements will be submitted to Mississippi State Department of Health prior to requesting reimbursement.

**III. General Procurement Standards and Procedures:**

Either the Purchasing Department or the Requesting Department shall procure all contracts in accordance with the requirements of this Section of the Policy.

1. **Necessity.** Purchases must be necessary to perform the scope of work and must avoid acquisition of unnecessary or duplicative items. The Purchasing Department and/or the Requesting Department should check with the federal surplus property agency prior to buying new items when feasible and less expensive. Strategic sourcing should be considered with other departments and/or agencies who have similar needs to consolidate procurements and services to obtain better pricing.
2. **Clear Specifications.** All solicitations must incorporate a clear and accurate description of the technical requirements for the materials, products, or services to be procured, and shall include all other requirements which bidders must fulfill and all other factors to be used in evaluating bids or proposals. Technical requirements must not contain features that restrict competition.
3. **Notice of Federal Funding.** All bid solicitations must acknowledge the use of federal funding for the contract. In addition, all prospective bidders or offerors must acknowledge that funding is contingent upon compliance with all terms and conditions of the funding award.
4. **Compliance by Contractors.** All solicitations shall inform prospective contractors that they must comply with all applicable federal laws, regulations, executive orders, and terms and conditions of the funding award.
5. **Fixed Price.** Solicitations must state that bidders shall submit bids on a fixed price basis and that the contract shall be awarded on this basis unless otherwise provided for in this Policy. Cost plus percentage of cost contracts are prohibited*.* Time and materials contracts are prohibited in most circumstances. Time and materials contracts will not be used unless no other form of contract is suitable and the contract includes a “Not to Exceed” amount. A time and materials contract shall not be awarded without express written permission of the federal agency or state pass-through agency that awarded the funds.
6. **Use of Brand Names.** When possible, performance or functional specifications are preferred to allow for more competition, leaving the determination of how to reach the required result to the contractor. Brand names may be used only when it is impractical or uneconomical to write a clear and accurate description of the requirement(s). When a brand name is listed, it is used as reference only and “or equal” must be included in the description.
7. **Lease versus Purchase.** Under certain circumstances, it may be necessary to perform an analysis of lease versus purchase alternatives to determine the most economical approach.
8. **Dividing Contract for M/WBE Participation.** If economically feasible, procurements may be divided into smaller components to allow maximum participation of small and minority businesses and women business enterprises. The procurement cannot be divided to bring the cost under bid thresholds or to evade any requirements under this Policy.
9. **Documentation.** Documentation must be maintained by the Purchasing Department and/or the Requesting Department detailing the history of all procurements. The documentation should include the procurement method used, contract type, basis for contractor selection, price, sources solicited, public notices, cost analysis, bid documents, addenda, amendments, contractor’s responsiveness, notice of award, copies of notices to unsuccessful bidders or offerors, record of protests or disputes, bond documents, notice to proceed, purchase order, and contract. All documentation relating to the award of any contract must be made available to the granting agency upon request.
10. **Cost Estimate.** For all procurements costing $250,000 or more, the Purchasing Department and/or Requesting Department shall develop an estimate of the cost of the procurement prior to soliciting bids. Cost estimates may be developed by reviewing prior contract costs, online review of similar products or services, or other means by which a good faith cost estimate may be obtained. Cost estimates for construction and repair contracts may be developed by the project designer.
11. **Contract Requirements.** The Requesting Department must prepare a written contract incorporating the provisions referenced in this Policy.
12. **Debarment.** No contract shall be awarded to a contractor included on the federally debarred bidder’s list.
13. **Contractor Oversight.** The Requesting Department receiving the federal funding must maintain oversight of the contract to ensure that the contractor is performing in accordance with the contract terms, conditions, and specifications.
14. **Open Competition.** Solicitations shall be prepared in a way to be fair and provide open competition. The procurement process shall not restrict competition by imposing unreasonable requirements on bidders, including but not limited to unnecessary supplier experience, excessive or unnecessary bonding, specifying a brand name without allowing for “or equal” products, or other unnecessary requirements that have the effect of restricting competition.
15. **Geographic Preference.** In the letting of public contracts, preference shall be given to resident contractors, and a nonresident bidder domiciled in a state, city, county, parish, province, nation, or political subdivision having laws granting preference to local contractors shall be awarded Mississippi public contracts only on the same basis as the nonresident bidder’s state, city, county, parish, province, nation or political subdivision awards contracts to Mississippi contractors bidding under similar circumstances. Resident contractors actually domiciled in Mississippi, be they corporate, individuals or partnerships, are to be granted preference over nonresidents in awarding of contracts in the same manner and to the same extent as provided by the laws of the state, city, county, parish, province, nation or political subdivision of domicile of the nonresident.

**IV. Specific Procurement Procedures**

The Nonfederal entity shall solicit bids in accordance with the requirements under this Section of the Policy based on the type and cost of the contract.

1. **Purchases** **costing less than $5,000** (except for A/E professional services)shall be procured using the Uniform Guidance “micro-purchase” procedure (2 C.F.R. § 200.320(a)) and state formal bidding procedures (MS § 31-7-13.) as follows:
2. The contract may be awarded without soliciting pricing or bids if the price of the goods or services is considered to be fair and reasonable.
3. To the extent practicable, purchases must be distributed among qualified suppliers.
4. **Purchases costing $5,000 up to $75,000**(except for A/E professional services) shall be procured using the Uniform Guidance “small purchase” procedure (2 C.F.R. § 200.320(b)) and state formal bidding procedures (MS § 31-7-13.) as follows:
   1. Obtain price or rate quotes from an “adequate number” of qualified sources (a federal grantor agency might issue guidance interpreting “adequate number,” so the Requesting Department should review the terms and conditions of the grant award documents to confirm whether specific guidance has been issued). MS § 31-7-13 requires at least two quotes are solicited.
   2. Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as required under 2 C.F.R. § 200.321.
   3. Cost or price analysis is not required prior to soliciting bids.
   4. Award the contract on a fixed-price basis (a not-to-exceed basis is permissible for service contracts where obtaining a fixed price is not feasible).
   5. Award the contract to the lowest responsive, responsible bidder.
5. **Purchases costing over $75,000**(except for A/E professional services) shall be procured using a combination of the most restrictive requirements of the Uniform Guidance “sealed bid” procedure (2 C.F.R. § 200.320(c)) and state formal bidding procedures (MS § 31-7-13.) as follows:
   1. Cost or price analysis is required prior to soliciting bids.
   2. Complete specifications or purchase description must be made available to all bidders.
   3. The bid must be formally advertised in a newspaper published in the county or municipality in which such Non-Federal Entity is located once each week for two (2) consecutive weeks. The date as published for the bid opening shall not be less than seven (7) working days after the last published notice; however, if the purchase involves a construction project in which the estimated cost is in excess of Seventy-five Thousand Dollars ($75,000.00), such bids shall not be opened in less than fifteen (15) working days after the last notice is published and the notice for the purchase of such construction shall be published once each week for two (2) consecutive weeks. The advertisement must state the date, time, and location of the public bid opening, indicate where specifications may be obtained, and reserve to the governing board the right to reject any or all bids.
   4. Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as required under 2 C.F.R. § 200.321.
   5. Open bids at the public bid opening on the date, time, and at the location noticed in the public advertisement. All bids must be submitted sealed.
   6. Award the contract to the lowest responsive, responsible bidder on a fixed-price basis. Governing board approval is required for purchase contracts unless the governing board has delegated award authority to an individual official or employee. Any and all bids may be rejected only for “sound documented reasons.”
6. **Contracts for Architectural and Engineering Services** shall be procured using the Uniform Guidance “competitive proposal” procedure (2 C.F.R. § 200.320(d)(5)) as follows:
7. Publically advertise a Request for Qualifications (RFQ) to solicit qualifications from qualified firms (formal advertisement in a newspaper is not required). Price (other than unit cost) shall not be solicited in the RFQ.
8. Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as provided under 2 C.F.R. § 200.321.
9. Identify the evaluation criteria and relative importance of each criteria (the criteria weight) in the RFQ.
10. Proposals must be solicited from an “adequate number of qualified sources” (an individual federal grantor agency may issue guidance interpreting “adequate number”).
11. Must have a written method for conducting technical evaluations of proposals and selecting the best qualified firm.
12. Consider all responses to the publicized RFQ to the maximum extent practical.
13. Evaluate qualifications of respondents to rank respondents and select the most qualified firm. Preference may be given to in-state (but not local) firms provided that granting the preference leaves an appropriate number of qualified firms to compete for the contract given the nature and size of the project.
14. Price cannot be a factor in the initial selection of the most qualified firm.
15. Once the most qualified firm is selected, negotiate fair and reasonable compensation. If negotiations are not successfully, repeat negotiations with the second-best qualified firm.
16. Award the contract to best qualified firm with whom fair and reasonable compensation has been successfully negotiated. Governing board approval is not required.

**V. Exceptions**

Non-competitive contracts are allowed ***only*** under the following conditions and with the written approval of the federal agency or state pass-through agency that awarded the federal funds:

1. **Sole Source**. A contract may be awarded without competitive bidding when the item is available from only one source. The Purchasing Department and/or Requesting Department shall document the justification for and lack of available competition for the item. A sole source contract must be approved by the governing board.
2. **Public Exigency.** A contract may be awarded without competitive bidding when there is a public exigency. A public exigency exists when there is an imminent or actual threat to public health, safety, and welfare, and the need for the item will not permit the delay resulting from a competitive bidding.
3. **Inadequate Competition.** A contract may be awarded without competitive bidding when competition is determined to be inadequate after attempts to solicit bids from a number of sources as required under this Policy does not result in a qualified winning bidder.
4. **Federal Contract.** A contract may be awarded without competitive bidding when the purchase is made from a federal contract available on the U.S. General Services Administration schedules of contracts.
5. **Awarding Agency Approval.**  A contract may be awarded without competitive bidding with the express written authorization of the federal agency or state pass-through agency that awarded the federal funds so long as awarding the contract without competition is consistent with state law.

**V. Domestic Preference**

To the greatest extent practicable we will provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products).

We will define domestic preferences as:

1. “Produced in the United States” means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
2. (2) “Manufactured products” means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.
3. We will include this in any subawards including all contracts and purchase orders for work or products under this award.