

Procuring Goods and Services

The guidance presented below in a question-and-answer format was developed by CDA to assist grantees that will require the purchase of goods and/or contracted services in order to complete their proposed project.

Q. When is it appropriate to utilize a contractor/consultant?

A. Grantees may contract for services that cannot be provided by staff employed by their organization. Generally, these services are for a short-term period and provide a specific and identifiable product or service. If awarded funds, grantees are responsible for ensuring their contractors/consultants comply with applicable state regulations and requirements. Contracting out must not affect a grantee's overall responsibility for the management of the project, and the grantee must reserve sufficient rights and control to enable it to fulfill its responsibilities for the project.

Q. Are grantees required to have a procurement policy?

A. At a minimum, grantees must establish and follow a documented procurement policy which conforms to applicable state and local laws and regulations. Guidance on procurement processes are described below.

Q. What methods of procurement are available to grantees?

A. Grantees must use one of the following procurement methods for contractual services:

- 1) Purchases of supplies or services at or below the threshold of \$10,000 may be done without soliciting competitive bids, so long as the grantee believes the cost to be reasonable and can provide justification as to why the grantee believes the cost to be reasonable. The [State Contract Manual Vol. 2, 1510](#) has a list of techniques to determine fair and reasonable pricing.
- 2) Relatively simple and informal procurement methods may be used for securing supplies or services that do not cost more than the threshold up to \$50,000. If these procedures are used, price or rate quotations must be obtained from a minimum of two (three preferred) qualified sources.
- 3) For the purchase of supplies or services estimated at over \$50,000, grantee shall publicize a request for proposals or invitation for bid to ensure more than one vendor submits an offer. When using this method, grantee must have a written method for evaluating proposals and are required to select the proposal that is most advantageous to the program, with price and other factors considered and documented. All bid materials are subject to retention periods listed in the grant agreements.

- 4) Regardless of the procurement method selected, grantees are required to conduct a cost or price analysis, including developing an estimate prior to soliciting bids, for any procurements in excess of the \$10,000 threshold.

Q. What are the common types of compensation for contractors?

A. Contractual services generally fall in to one of three types:

- 1) **Salaries and Wages:** In this method of compensation, costs are based on the actual salary or hourly wage for the persons performing work under the contract. In addition to actual salaries, contracts may include charges for fringe benefits, supplies, travel, other costs, and indirect costs.
- 2) **Fees for Professional Services:** In this method of compensation, an hourly rate is paid for services provided. The rate does not necessarily reflect the actual salary of the person performing the contracted work and is typically inclusive of salary, fringe benefits, and overhead costs associated with the service provided.
- 3) **Flat-Rate:** In this method of compensation, a pre-determined rate is paid for services provided, rather than payment based on hours worked. If selecting a flat-rate contractor, the grantee must provide a justification for the flat-rate fee and demonstrate the rate is reasonable and consistent with fees in the marketplace for similar services. The inclusion of costs that would otherwise be unallowable within a flat-rate fee is prohibited.

Q. Are there any other factors to consider when selecting a contractor?

A. Grantees should take all necessary affirmative steps to assure that Certified Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) are utilized.