



**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing**

Special Attention:

NOTICE PIH-2009- 14 (TDHEs)

ONAP Administrators;
Tribes, and Tribally Designated
Housing Entities

Issued: May 18, 2009

Expires: May 31, 2010

Subject: Establishing a Micro Purchase Process for Purchases Less Than \$5,000 for Indian Housing Block Grant (IHBG) Recipients.

1. Purpose

The purpose of the Notice is to implement a Micro Purchase threshold for the IHBG program.

2. Background

The Native American Housing Assistance and Self Determination Act (NAHASDA) was reauthorized on October 14, 2008. The reauthorization act amended NAHASDA in many ways, including creating a Micro Purchase provision for IHBG recipients. A new section 203(g) provides:

DE MINIMIS EXEMPTION FOR PROCUREMENT OF GOODS AND SERVICES-
Notwithstanding any other provision of law, a recipient shall not be required to act in accordance with any otherwise applicable competitive procurement rule or procedure with respect to the procurement, using a grant provided under this Act, of goods and services the value of which is less than \$5,000.

25 USC § 4133(g). The Office of General Counsel has ruled that negotiated rulemaking is not required to implement this provision. Therefore, ONAP is issuing a Notice to advise tribes and tribally designated housing entities (TDHEs) how to take advantage of flexibility provided by this provision.

3. Process

Each IHBG recipient may adopt a Micro Purchase Procurement clause in its Procurement Policy for purchases of goods or services with a value of less than \$5,000. The provisions of the clause allow the IHBG recipient the ability to purchase without soliciting competitive quotations if the Procurement or Contracting Officer considers the price to be reasonable.

Under a Micro Purchase, the Procurement or Contracting Officer determines reasonableness based on prior purchases of a similar nature or other source of information. When the

purchase order is signed, it signifies that the cost has been determined to be reasonable.

If the recipient chooses to adopt the Micro Purchase clause, the Procurement Policy must be revised to clearly describe the method to be used, and the documentation to be maintained to support the action.

The Procurement or Contracting Officer should be aware of the prohibition against breaking down requirements of a purchase for the purpose of bid splitting to avoid the requirements that apply to larger purchases.

4. Questions Concerning Micro Purchasing

What is the intent of Micro Purchasing?

The intent of Micro Purchasing is to reduce the burden of complying with the federal procurement process for goods and services of minimal cost. Specifically, Micro Purchasing allows a grantee to purchase goods and services costing less than \$5,000 without obtaining and documenting price quotes.

How do the requirements of Indian Preference (24 CFR 1000.48(a) and 1000.52(c) impact Micro Purchasing?

IHBG grants are subject to section 7(b) of the Indian Self-Determination and Education Assistance Act. Therefore, **to the greatest extent feasible**, IHBG recipients shall give preference in the award of contracts to Indian organizations and Indian-owned economic enterprises. Based on the streamlined requirements of Micro Purchasing, HUD has determined that it may not be feasible to further search for Indian-owned firms or businesses in Micro Purchases. This practice does not include formal contract solicitation, regardless of the value. The following example is provided for illustration:

Example #1: A TDHE maintenance supervisor is overseeing the turnover of a rental unit. Several replacement items, such as replacement door knobs and a new refrigerator, are needed for the rental home. The total cost of the items is estimated at \$800. The supervisor has Micro Purchase authority, and goes to a local mid-size home improvement store where the supervisor is able to purchase the door knobs and refrigerator for slightly more than the estimated cost of \$800. The home improvement store is not Indian-owned, and as far as the supervisor knows, there are no Indian-owned stores of this kind in the vicinity. Based on adoption of a Micro Purchase clause in the grantee's Procurement Policy, there is no need to search for Indian-owned businesses any further.

5. Sample Micro Purchase Procurement Clause

The following sample language can be included in a tribe or TDHE's procurement policy if a Micro Purchase threshold will be adopted:

For purchases of less than \$5,000, also known as Micro Purchases, only one price quote is required, provided the quote is considered reasonable. Quotes may be obtained orally (either in person or by telephone), by catalog, fax, or email. If the purchase is made for

reasons other than price, the file must clearly describe the reason for the purchase. Under no circumstances will a purchase be broken down into more than one action in order to meet the Micro Purchase threshold. The Micro Purchase must be documented by an authorized purchase order or contract.

Note: The grantee's procurement policy should already include established language and procedures for Indian Preference provisions and for the determination of price reasonableness. The policy should be modified to include Micro Purchasing.

- 6. For Further Information:** Contact your Grants Management Specialist if you need assistance.

/s/

Paula O. Blunt, General Deputy Assistant Secretary
for Public and Indian Housing