

CDBG Financial Management and Procurement

Case Study #2

“Managing the Procurement Process”

The State of Everywhere’s Department of Economic and Community Development (DECD) is responsible for working with local communities to determine if State CDBG subgrantees are in compliance with their grant agreements and if program requirements are being met.

The City of Location’s Office of Community Development (OCD) received funding from the State’s CDBG program for the construction of a playground in a low income neighborhood. OCD staff needed to contract with an outside firm to carry out the project, budgeted at approximately \$110,000. Both the Federal regulations and the State define a small purchase as one with a value of less than \$100,000, while the City’s ordinances set the threshold at \$75,000. As a result, OCD staff were not able to utilize small purchase procedures, and instead conducted the procurement for this work by sealed bid. Based on past experience, OCD expected that at least four firms would be willing and able to compete effectively for the business.

OCD staff began the process by developing detailed specifications for the work. They then began to assemble the complete invitation for bids, which included the specifications, general conditions, and other requirements. The City experienced several delays in finalizing the specifications, and fell about two weeks behind their original timeline for issuing the invitation for bids. The invitation for bids was publicly advertised for 15 days before the date set for opening the bids. As of the opening date, OCD had received only two bids for the work – both for the same amount.

1. What are the key conditions or requirements for obtaining bids under “sealed bid” procedures?
2. Did OCD meet all of these conditions? What, if anything, could have been done differently?
3. If the contract value had been \$90,000, would the method of procurement have been different? If so, how?
4. If the contract value had been \$60,000, what would the process have been for procuring services? What type of documentation would be required?

Answer Key – Financial Management and Procurement Case Study #2: Managing the Procurement Process

1. What are the key conditions or requirements for obtaining bids under “sealed bid” procedures?

- Complete, adequate and realistic specification description;
- Two or more responsible bidders to compete for the work;
- Publicly advertise the invitation for bids, providing suppliers with sufficient time to respond;
- Open bids publicly at a specified time and place; and
- Award the firm fixed-price contract to the lowest and responsible bidder.

2. Did OCD meet all of these conditions? What, if anything, could have been done differently?

OCD met all of the conditions for the procurement. However, the relatively short period of advertising (15 days) yielded two identical bids. The fact that the two responses came in at the same value is potentially suspect, and OCD will need to follow up to ensure that the bids were non-collusive. In order to potentially increase the number of responses, OCD could have sent the bid package to other qualified firms. OCD may also want to re-examine the requirements of the bid to ensure that they were not unnecessarily restrictive of competition.

3. If the contract value had been \$90,000, would the method of procurement have been different? If so, how?

It would not be different. Even though the State and Federal threshold for small purchase procedures is \$100,000, the City would have to adhere to the stricter local threshold of \$75,000. They would therefore still not be eligible to use the small purchase procurement for a \$90,000 project.

4. If the contract value had been \$60,000, what would the process have been for procuring services? What type of documentation would be required?

With a contract value below \$75,000, the City would have been able to conduct the procurement by small purchase procedures. State rules require that, in obtaining bids under the small purchase procedures, the materials, services, supplies or equipment be clearly described, along with the source and date of all price quotes. Grantees are required to obtain three quotes orally or in writing. If three quotes are not available, the file should document the grantee’s attempts to obtain three quotes. The procurement files should document the selection made, price paid and date the materials, services, supplies or equipment were received.