

MAKING SENSE OF OF THE UNIFORM GUIDANCE PROCUREMENT STANDARDS

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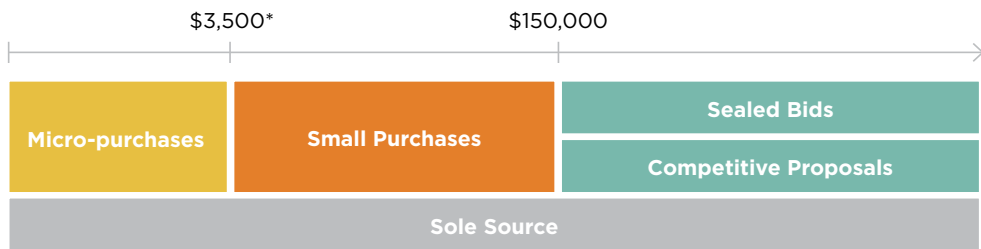
The Uniform Guidance (UG) introduced a number of reforms and changes for institutions receiving federal grant funding. Arguably, none of the changes are as significant as those impacting procurement.

The UG introduces the more prescriptive aspects of A-102 (State and Local Requirements) to universities and non-profit institutions that previously operated under the broader terms of A-110.

These institutions will now be required to adopt specified controls and limits—whereas previously they had latitude to establish their own. Additionally, previously applicable state rules regarding federal procurement are superseded by the controls introduced by the UG. The UG includes a number of significant changes—but particular attention can be drawn to the following:

1. ESTABLISHMENT OF SPECIFICALLY IDENTIFIED DOLLAR THRESHOLDS

Procurement methods may be characterized by both type of procurement and minimum dollar thresholds.



**Change in threshold described below*

KEY TERMS FOR CONSIDERATION:

Micro-purchases

No quotations are required, but equitable distributions among vendors is expected.

Small purchases

Requires rate quotations from multiple sources. No cost or price analysis is required.

Sealed bids

Firm fixed-price contract. Awarded to bidder that meets material terms and conditions and is the lowest priced. Preferred method for construction projects.

Competitive proposals

Open and publicized proposal process. Awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

Sole source

Available when a procured item or service is only available from a single source, during a public emergency, approved by Federal agency, or when competition is deemed inadequate after solicitation from a number of sources.

2. EXPECTATION FOR DOCUMENTATION OF PROCUREMENT DECISIONS

Institutions must document their rationale for choosing a specific procurement method, selection of the contract type, contractor selection, or rejection and the basis for contract price.

3. DOCUMENTED POLICIES AND PROCEDURES

Institutions should maintain policies and procedures, organizational conflicts of interest, procurement conflicts of interest and overall institutional procurement guidelines through detailed documentation.

4. EMPHASIS ON THE ULTIMATE AUTHORITY OF FEDERAL GUIDANCE

The UG establishes that federal guidance prevails when in conflict with state, local, or tribal law.

Important Changes Since the Release of the Initial UG

There have been notable changes with respect to procurement implementation in the past year. Two of which include the time to implement and the threshold for micro-purchases.

MORE TIME TO IMPLEMENT

The first UG revision allowed institutions an extended grace period to implement the new requirements. An institution may now operate under the previous federal guidance *for two full fiscal years* after December 26, 2014. For instance, if an institution's fiscal year begins July 1, it will have until July 1, 2017 to adopt the new guidance. Additionally, the Council on Governmental Relations (COGR) recently reported it expects the Office of Management and Budget (OMB) to extend the grace period for an additional year for most institutions.

HIGHER THRESHOLD FOR MICRO-PURCHASES

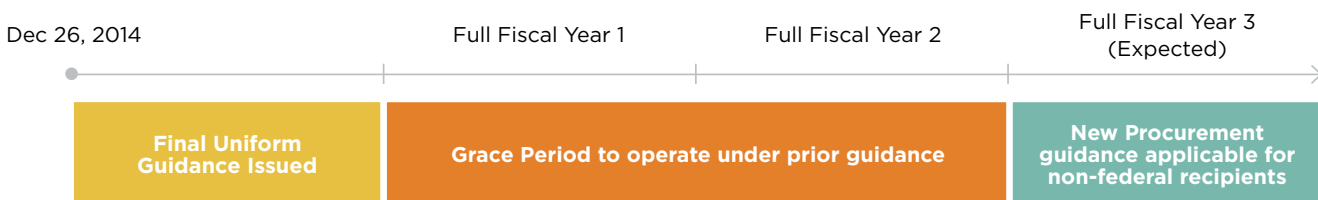
As of Oct. 1, 2015, the federal micro-purchase threshold increased from \$3,000 to \$3,500.

While the UG still lists the threshold at \$3,000, it also states the amount is set by the Federal Acquisition Regulation (FAR) at 48 CFR Subpart 2.1.

The new threshold of \$3,500 was incorporated into the FAR effective October 1, 2015. This rate is subject to adjustment every five years.

The Guidance's Impact

The changes could be significant for a number of institutions. The primary impact will stem from the added due diligence required for small purchases in excess of the micro-purchase threshold.



A recent analysis by the Federal Demonstration Partnership showed that only 52.4% of procurement transactions for research entities fall under the initially communicated micro-purchase threshold of \$3,000. A commonly self-implemented threshold of \$5,000 accounts for 97.65% of all transactions.

The recent inflation adjustment of the micro-purchase threshold to \$3,500 will provide some relief, but many research institutions will still need to adapt their practices for a sizeable portion of procurement activity.

Making the Changes

The UG changes have been on institutions' radars for well over a year now, and many have begun to adopt practices that are compliant with the new guidance. If your institution has not begun to implement the changes—there is still time.

- Given the potential for sizeable change management, however, we suggest institutions seek answers to the following questions:
- How will the micro-purchase threshold affect current controls at your institution? For instance, how your institution will manage the spending thresholds with p-card users if your current institutional policy exceeds \$3,500?
- Are you considering implementing the UG for only purchases on federal spend?
- Does your institution have the prescribed policies and procedures outlined in the UG? In particular, you may need to determine whether or not your internal policies define conflicts of interest for staff engaging in procurement decisions and organizational conflicts of interest.
- Do you have a method for documenting procurement decisions in accordance with the UG? Are your existing procurement systems designed to accommodate?
- How do your current solicitation methods align with UG Competition and Contract Cost and Price requirements? Do those methods need to be revised accordingly?

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- Do you have the right procurement technologies to support the UG requirements? Do your existing systems need to be reconfigured?

If responses to these questions suggest a significant gap, it may be time to scope out the effort that will be required for implementation. We recommend starting with identifying the required changes will be to your systems, policies and documentation practices.

Most importantly, institutions should consider the effort required for the people-aspect of the change. If the UG changes require shifts in behavior for a large number of users—for instance, with p-card transaction limits, and/or impact the workload associated with key individuals on campus—it may be wise to allow significant time to implement the new practices.

Taking Immediate Action

If your institution has not yet begun to implement changes, it is important to document that your procurement practices are compliant with OMB guidance—this is a specific requirement outlined in the UG.

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For additional information on the updates to the UG the Council on Financial Assistance Reform (COFAR) maintains an updated set of frequently

asked questions, which are a great source of information for application of the guidance.

In addition, the Federal Demonstration Partnership (FDP) and the Council On Governmental Relation (COGR) both provide useful insight on the desired changes in guidance and progress towards those goals.



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