



CDBG-DR subrecipients procuring goods, services and construction items with their grant funds must ensure that they are following all applicable statutory and regulatory procurement requirements. The urgency in post-disaster recoveries often leads local officials to work to quickly restore infrastructure, public services, and help private companies and citizens make repairs. Local governments have a history of complying with local procurement codes that may have more or less restrictive requirements than the federal requirements in different procurement compliance areas. It can be difficult to shift from how local governments have traditionally carried out procurement, to carrying out procurement activities in a way that complies with all the requirements at 2 CFR Part 200. It can be even more difficult to determine whether local government codes are more or less restrictive than the federal procurement regulations. However, it is critical to take the time to understand the differences, to update procurement policies and procedures for the CDBG-DR grants and to understand how these differences translate into everyday procurement practices, as subrecipients that do not follow all the applicable federal procurement requirements may be forced to repay federal funds.



### Application of Federal Regulations

TX GLO requires subrecipients to apply the principles of 2 CFR 200.318-326 in their procurement policies and procedures:

- Update policies and procedures to reflect federal requirements;
- Follow a consistent filing process for each procurement activity;
- Perform price and/or cost analyses before starting a procurement activity, before issuing award and on any contract modification; and
- Document every decision, including any decisions that lead to a variation or amendment.

## Methods of Procurement

The first step in managing the procurement process is knowing which method of procurement you should use, under different circumstances, and how the federal requirements interact with local requirements. The major methods of procurement are listed below. Reference the Procurement 201 PowerPoint slides for more details.

- Micro-purchases: 2 CFR 200.320(a)
- Small Purchase: 2 CFR 200.320(b)
- Sealed Bid/Formal Advertising: 2 CFR 200.320(c)
- Competitive Proposals: 2 CFR 200.320(d)
- Architect and Engineering: 2 CFR 200.320(d)(5)
- Non-Competitive Proposals: 2 CFR 200.320(f)



### Key Point

A Procurement Policies and Procedures manual should be adopted prior to soliciting bids or pricing, incurring costs, and entering into any contracts. Subrecipients should understand the more restrictive parts of the procurement codes and the manual should include federal procurement requirements, as well as the more restrictive practices required by state or local government procurement codes.

## Price and Cost Analysis

Subrecipients are required to complete price and/or cost analyses at various points in the procurement process. Some points on how to perform a price and cost analysis are below

### Price Analysis

Compare:

- Competitive prices received in response to the solicitation;
- Proposed prices with prices under existing contracts or similar past proposals;
- Competitive price lists, published catalogues, or market prices of commodities and products (e.g. Xactimate, RS Means, etc.); and
- For procurements requiring cost analysis, compare proposed total price with independent cost analysis.

### Cost Analysis

- Identify which costs are allowable, allocable, necessary and reasonable to complete the work, independently estimating costs by category (direct costs, indirect costs, and profit)
- Upon receiving proposals, compare and verify:
  - Actual costs previously incurred by the same contractor for similar work, considering appropriate inflation factors;
  - Actual costs and/or previous proposals of previous same or similar work performed by other contractors;
  - The methods proposed by the proposer; and
  - Effect of contractor selection on future costs.

**NOTE:** If the price analysis does not support the cost analysis, you must reexamine the cost analysis and find alternatives that will permit contract award at a reasonable price.

### Common Findings or Concerns

- Failure to prepare independent cost estimates prior to receiving bids or proposals
- Failure to conduct and document a cost or price analysis, at all the required points in time (initial contract and any change orders or contract modifications)
- Including non-competitive practices or requirements in procurement documents, such as giving preference to vendors for location of their offices and/or prior experience in the county or municipality
- Understanding the differences between procurement requirements for federal, state and local governmental regulations
- Reliance on “emergency services” to expand contract scope or forego allowable methods of procurement
- Failure to adequately document procurement processes
- Using non-competitive contracts to consultants that are on retainer contracts