



**The  
Office of Rural Affairs  
Presents**



# Small Purchase Procurement



# What is Small Purchase?

- The Small Purchase procurement method uses relatively simple and informal procurement methods to secure construction services, supplies, equipment, or non-professional services that cost, in the aggregate, **less than \$50,000** in accordance with state law.

# Prohibitions

- The Local Government Code, Sec. 262.023 (c) and Sec 252.021 specifically prohibit separate, sequential, or component small purchases to avoid the competitive bidding and competitive proposal requirements.
- **Aggregate cost-** the total cost of the project/job including all other funds sources
- **Separate purchases** – purchases of items that in normal purchasing practices would be purchased in one purchase;
- **Sequential purchases** – purchases, made over a period, of items that in normal purchasing practices would be purchased in one purchase;
- **Component purchases** – purchases of the component parts of an item that in normal purchasing practices would be purchased in one purchase.

## Add It Up...

- Prior to beginning small purchase procedures, the Grant Recipient should get an estimate of the cost of the construction or supplies/materials from the engineer. If the estimated cost is greater than \$50,000, small purchase procurement would not be considered an appropriate method of procurement.

# Follow the Steps

## **STEP 1: Comply with Davis-Bacon Act Requirements**

Obtain prevailing wage rates for the local area as required by the Davis-Bacon and Related Acts, and incorporate those wage rates into the procurement for construction.

- a) Obtain the wage decision from the Department of Labor (DOL) website prior to procurement process. Maintain a completed Wage Rate Issuance Notice (Form A702) in the local files
- b) Submit the Ten Day Confirmation (Form A703) to the TxCDBG Labor Standards Specialist

# Step 2 - Quotes

## **STEP 2: Contact Vendors for Quotes or Estimates**

Contact at least three firms by phone, in person, or in writing (including email), to obtain cost estimates for the goods or services.

- The responses (including responses that indicate no interest or quotes provided) must be recorded on the *Small Purchase Procurement Record (Form A504)*.

***Best practice-attach copies of quotes received via email or fax to Form A504 to ensure that verifiable records are maintained***

# Step 3 - MWBEs

## **STEP 3: Promote Participation of MWBEs and Section 3 Businesses**

The Grant Recipient should actively take steps to encourage proposals from small, minority, and female-owned businesses (SBEs, MBEs, and WBEs), as well as Section 3 business concerns.



# Step 4 - Eligibility

## STEP 4: Clear the Contractor

- Verify the construction contractor's eligibility through the System for Award Management ([www.SAM.gov](http://www.SAM.gov)). See **Chapter 7 Davis Bacon Labor Standards** for details.
- Eligibility must be verified prior to any formal action authorizing the award of the contract
- *Examples of formal action include but are not limited to: authorizing resolution, authorizing ordinance, Council approval of award, contract execution, etc.)*

# Step 5 - Award

## **STEP 5: Award the Contract**

Award the contract to the lowest appropriate bidder.

- *If council or commissioner court approval is not required, be sure to maintain documentation of why governing body approval is not required.*

# Step 6 – Execute Contract

- **STEP 6: Execute the Contract- See Sample Contracts**
  - *Ensure that contracts include appropriate federal, state and local regulations/policies, including bonding and inserts in bid packets and contracts.*
  - *Environmental clearance must be completed before the Grant Recipient executes any construction or materials contract*
  - ❖ Appendix B - Required Contract Provisions
  - ❖ Appendix F- Contract Documents for Construction Contracts
  - ❖ Appendix G- Bid and Contract Documents for Material / Supplier Contracts

# Small Purchase Procurement Record Form A504

**A504**

**Small Purchase Procurement Record**

Scope of Service/Item Description:  
\_\_\_\_\_

Contacts Made:

1.	Name of Firm/Supplier (No. 1) _____	Date Contacted _____
	Name of Person Contacted _____	Quoted Price _____
2.	Name of Firm/Supplier (No. 2) _____	Date Contacted _____
	Name of Person Contacted _____	Quoted Price _____
3.	Name of Firm/Supplier (No. 3) _____	Date Contacted _____
	Name of Person Contacted _____	Quoted Price _____

Based on the contacts made concerning the above-referenced scope of services/item description, I authorize \_\_\_\_\_ on \_\_\_\_\_, 20\_\_ to begin work or to supply the item(s) for the quoted price.

Signature of Authorized Person \_\_\_\_\_ Date \_\_\_\_\_

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Submit **Small Purchase Procurement Record (Form A504)** and

- ✓ Bid Tabulation
- ✓ Bid Schedule

within 30 days of executing the contract

# Financial Interest Report Form A503

**FINANCIAL INTEREST REPORT**  
**Form A503**

Grant Recipient Name: \_\_\_\_\_ Contract Number: \_\_\_\_\_ Region:

Contact Information		Financial Interest Disclosure Report		
Name of Company	<input type="text"/>	TxCDBG Funds	Other Funds	Total Dollars
Tax ID Number	<input type="text"/>			
Name of Owner	<input type="text"/>	<input type="checkbox"/> Prime Contractor <input type="checkbox"/> Subcontractor If a subcontractor, list Prime		
Point of Contact	<input type="text"/>	<input type="text"/>		
Phone No.	<input type="text"/>			
Email	<input type="text"/>			
Mailing Address	<input type="text"/>			
Type of Procurement	<input type="text"/>			
Trade	<input type="text"/>			
Service Provided	<input type="text"/>			
Clearances		Section 3 Report		
Environmental Clearance Date (for activity)	<input type="text"/>	<input type="checkbox"/> The company reported qualifies as a Section 3 Business Concern. <input type="checkbox"/> The contract reported is for \$100,000 or more. (Company is subject to Section 3 reporting requirements if checked).		
Excluded Party List System Clearance Date (Contractor Verification/Clearance at SAM.gov)	<input type="text"/>			
Contract Executed Date	<input type="text"/>			
Describe the work to be completed: (if more than one business will be procured for similar work, indicate the specific work included in this contract)				
<input type="text"/>				
Tax ID Number Instructions: TDA is now required to report to HUD the Tax Identification Number for all contractors and subcontractors procured each year. Please enter: - Tax ID issued by Texas Comptroller's Office - Sales Tax Permit number (sole proprietorships providing taxable service) - Sole Proprietor, no ID available (sole proprietor providing no taxable services) <b>Do not provide a Social Security Number</b> of a sole proprietor or other person associated with the business.				
This form must be submitted to TxCDBG for all contracts of \$2,000 or more within 30 days of executing the contract This form is required as of October 1, 2015 - all previous versions no longer valid.				

- Submit **Financial Interest Report** for all contracts of \$2,000 or more within 30 days of executing the contract.

# Labor Standards Report Form A706

**Labor Standards Record** **A706**

GRANT RECIPIENT: \_\_\_\_\_ CONTRACT #: \_\_\_\_\_

Detailed Description of Bid Activity:  
\_\_\_\_\_

Date Wage Decision Issued/Confirmed  
By TXCDBG Labor Specialist: \_\_\_\_\_

Wage Decision  
Number: \_\_\_\_\_ Published: \_\_\_\_\_

Type of Work (check one):  Heavy  Highway  Building  Residential

**SAM ELIGIBILITY VERIFICATION (Contractor Clearance)** (See [www.sam.gov](http://www.sam.gov))

PRIME CONTRACTOR: \_\_\_\_\_ Date Cleared: \_\_\_\_\_  
PRINCIPAL & TITLE: \_\_\_\_\_

List SUBS:

Name of SUB	Date Cleared	Name of SUB	Date Cleared

CONSTRUCTION CONTRACT AMOUNT: \$ \_\_\_\_\_  
BID OPENING DATE: \_\_\_\_\_  
CONTRACT AWARD DATE: \_\_\_\_\_  
CONTRACT EXECUTION DATE: \_\_\_\_\_  
PRECONSTRUCTION CONFERENCE DATE: \_\_\_\_\_  
CONSTRUCTION START DATE: \_\_\_\_\_

VERIFIED BY: \_\_\_\_\_ Date Verified: \_\_\_\_\_  
Local Labor Standards Officer (L.S.O.)

Email Address: \_\_\_\_\_ Telephone No: \_\_\_\_\_

The local Labor standards file must include printouts verifying the wage decision originally issued by local L.S.O.  
Form A706 signed by TXCDBG Labor Specialist and SAM clearance for all contractors and subcontractors

**This form must be submitted electronically via email to [Labors@TexasAgriculture.gov](mailto:Labors@TexasAgriculture.gov)**

10/15/2015

Submit **Labor Standards Record (Form A706)** to [Labors@TexasAgriculture.gov](mailto:Labors@TexasAgriculture.gov) prior to first request for Payment

# Micro-Purchases

- Micro-purchases is non-competitive procurement which may be used for supplies or services valued at \$2,000 or less.
- Purchase orders may be awarded without soliciting any competitive quotations if the Grant Recipient considers the costs to be reasonable and local laws and policies do not prohibit this method of procurement.
- Grant Recipient must verify that contractor is not debarred under the System for Award Management ([www.SAM.gov](http://www.SAM.gov))
- TDA will monitor the use of micro-purchases to ensure that they are not being used to circumvent competitive procurement.

# Change Orders

- Change Orders are required for construction and material supplies.
- The Grant Recipient must have sufficient grant or local funds available to meet any increased costs.
- Change Order may not increase the Small Purchase contract over the \$50,000 threshold.
- Change orders may not:
  1. Increase the original contract price by more (25%)
  2. Decrease the original contract price by more than (25%) for municipalities and (18%) for counties without the consent of the contractor.



## Change Orders (Cont.)

- **ALL** Change Orders must be submitted for review, whether or not the work will be paid with grant or matching funds, so that we have a complete record of the construction contract.
- TxCDBG recommends that the Grant Recipient submit a Change Order **prior** to fully executing it.
- If executed without TxCDBG approval, the Grant Recipient is obligated to pay for any changes that are not approved.
- Change Orders may also trigger an amendment or modification to the Performance Statement and/or Budget and should be submitted together
- Any difference in price from the Labor Standards Record (Form A706-rev) to the Certificate of Construction Completion (Form A709) must be accounted for on the Change Order.

# Change Orders (Cont.)

**A505**

**Texas Department of Agriculture  
Construction Contract Change Order**

OWNER (Contractor Locality): (Name & Address)		Contract For (project description):  Project Location:		Region  TxCDBG Contract No.  Change Order No.		
Contractor: (Name & Address)			Engineer: (Name & Address)			
Owner is requesting TDA review to determine eligibility of change order expenses.						
<b>Changes to Existing Line Items</b> (Items from original bid or added in previous change order only)						
Item No.	Item Description	Current Quantity	Unit	Unit Price	Change in Quantity (+/-)	Change in Contract Price
<b>New Items Requested</b> (Items without a unit price in the original bid) Provide Explanation (attach separate documentation if necessary):						
Item No.	Item Description	Unit	Unit Price	Change in Quantity (+/-)	Change in Contract Price	
<b>Change in Contract Price</b>			<b>Change in Contract Time</b>			
Original Contract Price: \$		Original Contract Time: days				
Previous Change Order(s) No. to No. \$		Net Change From Previous Change Orders days				
Contract Price Prior to this Change Order \$		Contract Time Prior to this Change Order days				
Net Increase/Decrease of this Change Order \$		Net Increase/Decrease of this Change Order days				
Contract Price With all Approved Change Orders \$		Contract Time With all Approved Change days				
Cumulative % Change in Contract Price: %						

Notice: \* Generally, a cumulative change in the contract price in excess of 25% cannot be approved.  
\* Reimbursement of costs submitted in this change order are subject to approval by the Department.  
See TxCDBG Project Implementation Manual Section 5.2.5.

To request approval, submit:

- ✓ *Construction Contract Change Order Approval Request (Form A505 – both pages)*
- ✓ Chief local elected official's signature on either Form A505 or a cover letter
- ✓ Any necessary supporting documentation
- ✓ Explanation of any unusual items

# Conflict of Interest

- Ensure there is no conflict of interest (2 CFR § 200.319 (a)).
- Contractors- be cautious to ensure that the bidding process for small purchase and micro-purchases do not have appearance of conflicts of interest.
- Generally, all procurement transactions must be conducted in a manner providing full and open competition (2 CFR §200.319).

## Common Pitfalls

- Recordkeeping – maintain copies of bids and proposals received.
- If any part of a contract is paid for with TxCDBG funds, the Grant Recipient must follow the appropriate procurement procedure in Chapter 5. Failure to follow procurement process could result in ineligible costs for grant funding or match credit.
- **\$50,000 maximum limitation includes micro-purchases.**
- Environmental clearance must be completed before the Grant Recipient executes any construction or materials contract.

# QUESTIONS?

