

CAPISTRANO UNIFIED SCHOOL DISTRICT

PURCHASING DEPARTMENT



PURCHASES USING FEDERAL FUNDS

This document supplements the existing Board Policies, administrative regulations, and guidelines published on Capistrano Unified School District's website and the Purchasing Department's website.

Purchases Using Federal Funds

School districts or local education agencies (LEAs) must have documented procurement procedures which reflect applicable federal, state, and local rules (2 CFR 200.318[a]). Specifically, a grants manual should include information on the following:

- Responsibility for Purchasing
- Purchase Methods
- Contract Cost or Price analysis
- Full and Open Competition
- Federal Procurement System Standards
- Conflict of Interest
- Contract Administration

1. Responsibility for Purchasing

The Board of Trustees of Capistrano Unified School District has the responsibility and authority to initiate purchases, processing contracts, and purchase orders. The Board adopted Board policy 3300 to memorialize this power.

2. Procurement Methods

According to the UGG, the type of purchase procedures required depends on the cost of the items being purchased (2 CFR 200.320). There are three categories of procurement: informal procurement (items and/or services below the annual bid threshold), formal procurement (sealed bids or proposals for contracts above the bid threshold), and noncompetitive procurement (sole source). LEAs must meet baseline requirements for procurements by micro-purchases, small-purchase procedures, sealed bids, competitive proposals, and procurement by noncompetitive proposals.

While the federal rules in 2 CFR 200.320 provide a basic structure for each procurement method, the LEA must have documented procurement policies which provide detail on the process by which all purchases are made. In addition to these rules, sub-recipients must also follow both state and local procurement rules. State and local procurement rules are often stricter than federal requirements. Accordingly, this section should be revised to account for the appropriate thresholds and purchasing procedures within each threshold amount in accordance with any state and local procurement rules. For example, the California Public Contract Code (PCC) Section 20111(a) requires school district governing boards to competitively bid and award any contracts involving an expenditure of more than \$50,000, adjusted for inflation, to the lowest responsible bidder. The State Superintendent of Public Instruction is required to annually adjust the \$50,000 amount specified in PCC Section 20111. The Annual Adjustment to Bid Threshold for Contracts Awarded by School Districts letter is published on the Purchasing Department website, as well as located on the CDE website at www.cde.ca.gov/fg/ac/co.

Certain public projects as defined in PCC, such as construction or reconstruction of publicly owned facilities, have a lower bid threshold of \$15,000 that is not adjusted for inflation. For more information on bidding requirements for all projects, refer to the PCC.

Because California's PCC establishes a lower threshold for small purchase procedures than the federal simplified acquisition threshold (\$250,000), LEAs need to comply with the lower threshold set by state law. All applicable adjustments set by regulatory bodies will be complied with. The micro-purchase threshold was increased from \$3,500 to \$10,000 as a result of a June 2018 memorandum issued by the OMB. Nonfederal entities are authorized to request a micro-purchase threshold higher than \$10,000 based on certain conditions that include a requirement to maintain records for a threshold up to \$50,000 and a formal approval process by the federal government for a threshold above \$50,000 (2 CFR 200.320[a][1]). Capistrano Unified School District has not applied for such increased micro-purchase threshold.

Purchasing procedures and formal bidding processes are memorialized in Board policies and published on the Purchasing Department website.

3. Supplementary Texts

While the California PCC provides that LEAs may purchase supplementary textbooks, library books, instructional computer software packages, and other specified items without taking estimates or advertising for bids, the federal procurement regulations do not provide a similar exception to competitive purchasing requirements for these items. Capistrano Unified School District will competitively bid for such items when using federal funds if the cost exceeds \$250,000.

4. Contract Cost or Price Analysis

Capistrano Unified School District will perform a cost or price analysis in connection with every procurement action supported with federal funds in excess of \$250,000, including contract modifications (2 CFR 200.324[a]). Furthermore, Capistrano Unified School District will negotiate profit as a separate element of price when performing a cost analysis and for each contract where there is no price competition (i.e., sole source).

5. Full and Open Competition

All procurement transactions using federal funds must be conducted in a manner providing full and open competition consistent with 2 CFR 200.319. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. This section should outline the requirements of 2 CFR 200.319.

6. Federal Procurement Systems Standards

This section should include general procurement standards as identified in 2 CFR 200.318, including:

- Avoiding acquisition of unnecessary or duplicative items

- Use of intergovernmental agreements
- Use of federal excess and surplus property
- Suspension and debarment
 - o LEAs should only award contracts with federal funds to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources. An LEA may not subcontract with or award subgrants to any person or company who is debarred or suspended. For all contracts over \$25,000, an LEA verifies that the vendor with whom the LEA intends to do business is not excluded or disqualified (2 CFR Part 200, Appendix II[1] and 2 CFR 180.220 and 180.300). Assistant Buyer will check the excluded parties lists on SAM.gov. before assigning to Buyer to process requisitions using federal funds.

7. Conflict of Interest

Pursuant to 2 CFR 200.318[c][1], Board Policy 9270 memorializes the Capistrano USD Conflict of Interest policy. The Purchasing department utilizes a Conflict of Interest form for all vendors and maintains such form in each respective vendor file.

For purposes of federal procurement, a conflict of interest arises when any of the following has a financial or other interest in the firm selected for award:

Employee, officer, or agent participating in the selection, award, and administration of the contract

Any member of that person's immediate family

That person's partner

An organization that employs, or is about to employ, any of the above or has a financial interest in the firm selected for award (2 CFR 200.318[c][1])

8. Contract Administration

Requisitioning department leadership is responsible for ensuring that contractors perform in accordance with the terms, conditions, and specification of their contracts or purchase orders (2 CFR 200.318[b]). This responsibility will be separate and apart from the Purchasing department which finalizes purchase orders or contracts.

Inventory and Property Management

Pursuant to 2 CFR 200.313(d), Board Policies 3440 (Inventories) and 3512 (Equipment) provide the procedures for managing equipment.

Property Classifications

This section should include all relevant property definitions and ensure that property classifications are in accordance with state and local law. Specifically, the section should identify:

- Equipment (2 CFR 200.1): Tangible personal property (including information technology systems) having a useful life of more than one year and per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the nonfederal entity for financial statement purposes, or \$5,000
- Supplies (2 CFR 200.1): All tangible personal property other than that described in the definition of equipment in this section; a computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the nonfederal entity for financial statement purposes and \$5,000, regardless of the length of its useful life
- Computing devices (2 CFR 200.1): Machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or peripherals) for printing, transmitting and receiving, or storing electronic information

The CSAM Procedure 770—Distinguishing between Supplies and Equipment, describes the differences between whether an item should be classified as a supply or an equipment. The determination is made based on the length of time the item is serviceable and on its contribution to the overall value of the physical assets of the LEA. For example, supplies are constantly consumed and replaced without substantially increasing the value of the physical assets of the LEA. Equipment has relatively permanent value and substantially increases the value of the physical assets of the LEA.

The Uniform Guidance defines equipment as tangible personal property having a useful life of more than one year and an acquisition cost of at least \$5,000. California Education Code Section 35168 requires LEAs to maintain records that properly account for equipment whose market value exceeds \$500. To meet this requirement, the LEA must keep records containing the following information about the item: description, name, identification number, cost, date of acquisition, location of use, and time and mode of disposal. A reasonable estimate of the original cost may be used if the actual original cost is unknown. Inventory procedures can be found on either the Purchasing or Warehouse department websites.