

Cost and Quality Considerations when Procuring Professional Services

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Federal grants that allow for administrative funds and costs provide the opportunity for local governments, housing authorities and other grantees, to hire expert professionals to assist with program management and strategic planning. Though sometimes seen as a roadblock, the procurement process opens the pathway to secure the most qualified professionals. It is important to understand what options are available for procuring professional consultants, vendors, or contractors to ensure quality services are provided. A common misconception is that government must always make the award to the lowest bidder, but that is not the case. There are other procurement methods that allow flexibility in choosing a service provider, including the small purchase method and competitive proposals.

Small purchase and competitive proposals, also known as requests for proposals (RFP), are ideal for soliciting professional services. These methods of solicitation allow the procuring agency to select awards based on factors other than price alone. Contractor qualifications, experience, past performance, integrity, financial resources, and proposed inclusions/exclusions to the scope can be considered and weighed in decision-making.



**SMALL PURCHASE RFP
COMPETITIVE PROPOSALS**

Allow the agency to select awards based on factors other than price alone: Contractor qualifications; experience; past performance; integrity; financial resources; as well as proposed inclusions/exclusions to the scope.

1. 2 CFR 200.320(a)(2)
2. 2 CFR 200.318(h)
3. 2 CFR 200.320(b)(2)(iii)

Small Purchase

The small purchase method can be utilized when services to be procured do not exceed the simplified acquisition threshold amount currently set at \$250,000¹. This process is simple, informal, and less burdensome than other processes, making it a popular choice when procuring professional services. The key elements of the small purchase solicitation method include:

1. Ensuring a competitive process by receiving quotes from several qualified sources, generally meaning not fewer than three (3).
2. Public notification is not required.
3. Quotes can be acquired by phone, email, fax, website, or in person.
4. Services cannot be broken into smaller parts solely to qualify for small purchase.

Small purchase contracts are required to be awarded to the most “responsive and responsible²” bidder. The lowest bidder is not always the most responsive or responsible choice. Instead, the contract should be awarded to the bidder that possesses the ability to perform successfully under the terms and conditions of the scope, is not suspended or debarred, and is asking for reasonable compensation. The lowest bidder is not necessarily the awarded entity.

Competitive Proposals

Another preferred method for procuring services is through competitive proposals. This method of solicitation generally aligns better with local procurement regulations and has often been referred to as a best practice for procuring services. The key elements of competitive proposals are:

1. To solicit proposals from an adequate number of qualified sources, generally meaning not fewer than three (3).
2. The RFP must clearly and accurately state the technical requirements for the services to be acquired.
3. The RFP must be publicized.
4. The RFP must identify all evaluation factors with their relative importance.

TYPES OF PROCUREMENT

Follow the federal procurement requirements when purchasing materials, products, or services to ensure you are offering free and open competition and getting the best value for your community.



MICRO-PURCHASE

Threshold
\$10,000

SMALL PURCHASE

Threshold
\$250,000



SEALED BID

Selection Based
on Price

PROPOSALS

Selection Based on
Evaluation & Price



SOLE SOURCE

Public Emergency or
Condition

Source: Playing by the Rules: CDBG
Administrative Systems

5. To allow negotiation with bidders who are deemed responsive, responsible, and within a competitive price range.
6. The award must be made to the responsible offeror whose proposal is most advantageous to the procuring agency.

The RFP must clearly state the scope of work and proposals are evaluated based on established scoring criteria, supporting fair and open competition while still allowing factors other than price to be considered. Experience, qualifications, and past performance often prevail over costs, which is important for acquiring quality services. The RFP process also provides the opportunity to negotiate with respondents and ask for a “best and final” offer prior to award determination to ensure cost reasonableness requirements are satisfied³.

A critical piece of the solicitation process, whether using the small purchase or competitive proposal method to procure professional services, is to maintain complete and thorough documentation. Maintain records of the entire solicitation process, including emails, phone calls, public notices, the RFP packet, responses received, evaluation results, and award announcements. Recordkeeping is a requisite for documenting compliance with federal procurement regulations. It also provides public transparency, ease in response to public information requests, and more expedient settlement in the event of an award dispute.

This overview provides considerations for federal procurement services. It is also important to be aware of any local or state laws and policies that may require additional procedures or set higher thresholds for procurement. It is always the responsibility of the procuring agency to comply with any additional requirements related to the solicitation process.

By using a more comprehensive approach, rather than just “lowest bid”, local government is better able to reach its goals, serve the public interest, and get better results in meeting community needs.



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