

State Procurement Office

**Small Purchase
Method of Procurement**

AKA Small Purchase Request for Quote

Workshop No. SPO 120

**HRS Section 103D-305 and
HAR Chapter 3-122, Subchapter 8**

Small Purchase Method of Procurement

**Who this Workshop is for
and What is it intended to do?**

- This workshop is designed for state personnel who:
 - have or will have written delegated authority to procure goods, services and construction under the current small purchase dollar threshold ; and
 - take the SPO workshop(s) required for the method of procurement prior to procuring.
- This workshop will cover:
 - The purpose of this method of procurement and its place within the framework of procurement procedures;
 - The conditions under which this method of procurement may be used;
 - An overview of the development, issuance and award of a small purchase request for quote;
 - Some of the administrative requirements you must consider; and
 - How to find resources and answers to common questions on the SPO website.
- This workshop is not intended to:
 - Teach you everything you need to know about procurement, awards or contracting. (There isn't enough time.) You must take the appropriate workshops for the procurement method, function or administrative requirement (Contract administration, exemptions, price/vendor lists, insurance requirements, bonding, construction, etc.)
 - Provide all the circumstances when small purchase may not apply or is not appropriate.
 - Train you to use HiePRO. You must attend HiePRO workshops to use HiePRO.

Required Training
Small Purchase Method of Procurement
Pursuant to HRS 103D-305
Level 2

- **SPO 120** - Small Purchase Method of Procurement
- **SPO 127** - Understanding, Detecting and Preventing Anti-Trust Violations
 - If using **eProcurement add** to the above:
SPO 301 – HlePRO Buyer Training
 - If procuring for **construction add** to the above:
SPO 130 – Construction Procurements
SPO 185 - Prevailing Wage, Certified Payroll and Contract Agency Responsibilities

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What are Small Purchases?

- Procurements of less than \$100,000 for goods or services, or \$250,000 for construction conducted in accordance with small purchase procedures.
- Designed to be simple to solicit and administer
- The only informal procurement method
- More formal procurement not
 - clear-cut minimum specifications/qualifications
 - awarded to lowest priced offer
 - No parceling
 - No multiple procurements exceeding small purchase dollar thresholds

Small Purchases General Rules

- Allow for adequate and reasonable competition
- Public notice not required
- Public bid openings not required
- Parceling prohibited
- Intended for simple procurements
- Shall be within appropriate total dollar purchase

Professional Services Less Than \$100,000

- May be procured through either ,
 - professional service method of procurement;
 - professional services small purchase (HRS 103D-304(j); or
 - small purchase method of procurement
- Exception – Procurement of design professional services furnished by licensees under HRS chapter 464 shall be procured by the professional method of source selection.

Electronic Procurement

- **HRS 103D-305** Purchases \$25,000 to less than \$250,000 shall be made in accordance with small purchase procedures; provided that such small purchase procurements through an electronic system shall be required.
- **HAR §3-122-78** At minimum, includes the functionality of:
 - notification of registered vendors; and
 - electronic receipt of offers.
 - Chief Procurement Officer (CPO) may determine what goods, services or construction, less than \$25,000 will be made through an electronic procurement system.

Small Purchase Thresholds and Numbers of Quotes

- **HAR 3-122, Subchapter 8**
 - Less than \$5,000 –procedures established by CPO
 - \$ 5,000-less than \$15,000 – 3 quotes
 - \$15,000-less than \$25,000 – 3 written quotes
 - \$25,000-less than \$100,000 (goods/services) -eProcurement
 - \$25,000-less than \$250,000 (construction) –eProcurement
- **Executive Branch Departments**
(CPO = SPO Administrator)
 - Procurement Circular 2012-04 and Instructions (Executive Branch)
 - Procurements less than \$5,000 – adequate and reasonable competition
 - \$5,000 to less than \$15,000 – obtain a minimum of three quotations, i.e. phone, fax, e-mail, etc.
 - **\$15,000-** less than \$100,000 (goods, services) \$250,000 (construction) –**HiEPRO**
 -

What if:

Non-Electronic Procurement

- Goods, services and construction from \$25,000 or more that cannot be purchased through an electronic procurement system may be conducted pursuant to Competitive Sealed Bidding, Competitive Sealed Proposals and Procurement of Professional Services.

**Procurement Option to Small Purchases
Method of Procurement**

- **SPO Price/Vendor List Contracts**
 - Western States Contracting Alliance (WSCA) – National Association of State Procurement Officials (NASPO) contracts.
 - Vendor lists generated by agency requests.
 - Procurements conducted by SPO.

 - Requirement to utilize these contracts is to attend SPO Workshop #190, Price/Vendor List and Cooperative Contracts

Parceling

- Purchases shall not be artificially divided because of various funding sources.
- Purchase may be for more than 12 months if the **total** expenditure does not exceed small purchase thresholds—includes recurring annual service contracts.
- The expenditure threshold applies for **any 12-month** period. (Not FY or calendar year)

(Reference: HAR Section 3-131-2)

How to Avoid Parceling

- Procurements should be done by the most competitive method feasible.
- Procurements should be considered for consolidation under the following circumstances:
 - ✓ The higher the price of a group of procurements, the more likely they should be consolidated.
 - ✓ The more similar the good, service or construction, the more likely it should be consolidated.
 - ✓ The more likely that the procurement can be obtained from one vendor, the more likely it should be consolidated.

Getting Started

Developing your Solicitation

- What do you want to purchase?
- What is the estimated total dollar purchase?
- What are the specifications?
- How much do you want to buy (now and over a 12 month period)?
- What is the unit of measurement?
- What is the contract period?
- When does delivery need to occur?
- Are there any other special/administrative requirements in general or specific to the goods, services, construction?

What Do You Want to Purchase?

- Group similar items in one solicitation.
- Award does not need to be total sum (does not have to be awarded to the same vendor.)

What is the Total Dollar Purchase?

- When it is known that the total purchase will be less than \$15,000, use of an electronic procurement system is allowed.
- Agencies may determine that a procurement less than the small purchase dollar threshold be procured through a competitive sealed bid.

Specifications

- Seek to procure standard commercial products.
- Seek to promote overall competition.
- Shall not be restrictive.
- Provide a fair and equal opportunity for every supplier that is able to meet the State's needs.
- Unique requirements should be avoided.

Guidelines for Developing Specifications

- Identify minimum requirements.
- Allow for competition.
- List reproducible test methods to be used in testing for compliance with specifications.
- Provide for a fair award.

Types of Specifications

- Design
- Performance
- Brand name or equal
- Qualified products list (QPL) or pre-approved products

Other Parts of an RFQ

- Quantity
- Unit of Measure
- Contract Period
- Delivery
- Minimum qualifications of vendor
- Other Requirements
 - Examples: Bonding, Insurance

Construction Procurements - Bond Requirements

- Small purchases construction contracts exceeding \$50,000 require a performance and payment bond.
- Reminder: Small purchases of construction limitation is less than \$250,000.
- *Reference HRS 103D-305 and Procurement Circular No. 2012-04.*

During a Solicitation

- Answering vendor questions is permissible
 - Important that all vendors receive the same information in a timely manner.
 - Recommend in writing.
- Changes to solicitation
 - If on HlePRO - in writing, use addenda function
 - If always in writing, protects you and the vendor.

Basis of Award

- Award shall be made to the lowest responsive, responsible offeror.
- When award to the lowest, responsive, responsible offeror is not practicable, award shall be made to the offeror whose quotation provides best value to the State.
- Written determination for the selection shall be placed in the procurement file.

What is Best Value?

- Most advantageous offer determined by evaluating and comparing all relevant criteria in addition to price so that the offer meeting the overall combination that best serves the State is selected. These criteria may include, in addition to others, the total cost of ownership, performance history of the vendor, quality of goods, services, or construction, delivery, and proposed technical performance.
- *Pursuant to HAR 3-122-1 Definitions*

Criteria to Consider for Best Value

- Total Cost of Ownership
- Performance history of the vendor
- Quality of goods, services, or construction
- Delivery
- Proposed technical performance

Making the Award

- Contract not required if small purchases method is used.
- If an agency chooses to award by contract, use AG-002 for small purchases contracts.
- For Executive Departments - **Compliance documents required** for total purchases \$2,500 and above if small purchase process used.
- Procurement and award through HlePRO requires Award Summary Report to be printed and placed in the procurement file.
- If \$2,500 and above post on Awards Reporting System (of the PANS - Procurement Awards, Notices and Solicitations) within 7 days of notice of award.

For Executive Branch Agencies Procurement Circular 2012-04 and Instructions

- Under \$5,000:
 - adequate and reasonable competition is recommended;
 - Record of Procurement (Form SPO-010) and Request for Quotes (Form SPO-010A) are optional.
- \$5,000 to less than \$15,000:
 - Minimum 3 quotes by phone, fax, e-mail
 - Record of Procurement (Form SPO-010) is required and Request for Quotes (Form SPO-010A) is optional.
- \$15,000-less than \$100,000 (goods, services) and less than \$250,000 (construction)—
 - Procurement is required to be conducted on Hawaii eProcurement System (HlePRO);
 - Copy of Awards Summary Report to be placed in procurement file is required.

Adequate Competition

Non-Electronic

“No bid” does not qualify as one quote.
“No response/reply” does not qualify as one quote.

Electronic

HlePRO provides for adequate competition, provided the buyer ensures

- appropriate vendors are in the system;
- correct commodity codes are used;
- specifications are clear; and
- solicitation is available out for adequate amount of time.

Award to Other Than Lowest Quote

Non-Electronic

Complete Part D on form SPO-010.

Electronic

Complete the **Competition Comments** Field in HlePRO

**What if:
Quotes Not Received
(Non-Electronic)**

- If minimum quotes required not received, justification shall be provided.
- Complete Form SPO-010, Part C and place in procurement file.

**What if:
No Quotes Received on eProcurement System**

- HOPA may determine that it is neither practicable nor advantageous to the State to issue a new solicitation.
- Consider whether specifications can be revised, time constraints, and competition in the marketplace.
- Alternative procurement method may be selected to include, but not limited to, direct negotiations.
- Documentation of the alternative procurement shall be placed in the procurement file.

Ref: HAR, Section 3-122-78

What if:
Quotes Are Over Small Purchases Threshold

- Quantity may be reduced. However, another RFQ for the reduced amount shall not be solicited.
- Scope of work may be altered/decreased.
- Scope shall not be divided up and re-solicited.

Protests
HAR §3-126-4(b)

- Shall be within five working days of when protestor knows or should have known of award.
- Shall be within 5 **working** days of knowledge giving rise to the protest.
- Shall be in writing to the Procurement Officer.
- Once notified of protest by vendor, all action on award shall cease until protest is resolved.

(Ref: HAR, Ch. 3-126, Legal and Contractual Remedies)

Procurement Circular 2010-01 (as amended)

Posting Procurement Awards, Notices and Solicitations.



Documenting the Award

- Purchases made by Executive Branch shall be documented on form SPO-010 for purchases \$5,000 to less than \$15,000.
- Purchases \$2,500 or more made by Executive Branch shall be posted on the SPO Awards Reporting System within 7 calendar days from issuance of award.

Reference:

Procurement Circular 2012-04 as amended



It Doesn't Stop at the Award

- Someone must be responsible for managing the award to ensure the State receives what it contracts for (including purchases by purchase orders or pCards).
 - Commonly known as contract administrator.
 - Just because there is no formal contract (AG form) it is still a contract and must be managed.
 - Ensure the state gets what it solicited for.
 - Payment was in accordance with the quote.

Public Inspection

- After a small purchase is completed (purchase order issued, pCard order), all documents relating to the small purchase (unless marked confidential) are considered public record and should be released to anyone requesting such information in accordance with HRS, Chapter 92F.

Small Purchase Method of Procurement

References

Accessible from SPO website <http://spo.hawaii.gov>

- Small Purchases
 - Manual for State and County personnel > Procurement > Solicitation > Goods, Services and Construction > Methods of Procurement > Small Purchases
- Procurement Statutes and Rules –
 - HRS, Ch. 103D
 - HAR, Ch. 3-122, Subch. 8 (Small Purchases); HAR, Ch. 3-126, (Protests), HAR, Ch. 3-131 (Compliance)
 - Act 175, SLH 2009
 - Click References
- Procurement Circulars
 - 2005-04, as amended - Hawaii Compliance Express;
 - 2012-04- Act 173, SLH 2012: Section 2 Small Purchases Procurements and Performance Bonds for Construction;
 - 2010-01, Posting Procurement Awards, Notices and Solicitations (PANS)
 - Click References > Procurement Circulars

State Procurement Office

The end. Thanks for attending!

Questions?

<http://spo.hawaii.gov>

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