

SPO 120 – Small Purchases Method of Procurement

Slide - Title Page

Welcome to SPO workshop #120, Small Purchases Method of Procurement, prepared by the State Procurement Office

The statute that governs small purchases is HRS. 103D-305 and HAR Chapter 3-122, Subchapter 8.

Slide – Who this Workshop is for and What it is Intended to Do

This work shop is for state and county employees who participate and conduct small purchases method of procurement.

This work shop covers what you can and can't do. This workshop may not cover everything specific to your procurement requirements.

Slide – Required Training

In addition to obtaining written procurement delegation, you are required to attend workshops SPO 120 and SPO 127.

If you are conducting a small purchase on HlePRO you're also required to attend workshop SPO 301.

If you are procuring for construction you're also required to attend workshops SPO 130 and SPO 185.

Slide – What are Small Purchases?

Small purchases method of procurement may be used for purchases less than \$100,000 for goods or services, or less than \$250,000 for construction.

This method is utilized for simple acquisitions where clear cut, minimum specifications and qualifications are known and award is based on the lowest priced responsive, responsible offer. If not practicable, award shall be made to the Offeror whose quotation provides the best value to the State.

Slide – Small Purchases General Rules

When conducting small purchases method of procurement, here is a list of general rules to follow. Like the other methods of procurement, the solicitation should allow for adequate and reasonable competition. Unlike other methods, a public notice and bid opening are not required. Purchases shall not be parceled by dividing the purchase of same, like, or related items of goods, services, or

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construction into several purchases of competitive bidding requirements. Purchases shall be within the dollar limits of the small purchases method of procurement as described in the prior slide.

Slide – Professional Services Less Than \$100,000

When procuring for a professional service with the exception of Engineers, Architects, Landscape Architects and Surveyors (which are professionals licensed under chapter 464), small purchases method of procurement may be utilized provided the contract dollar amount is less than \$100,000 in a 12-month period.

Slide – Electronic Procurement

Purchases \$25,000 to less than \$250,000 shall be conducted on an electronic procurement system.

The electronic procurement system shall include at a minimum, the functionality of notifying registered vendors of the procurement opportunity and the electronic receipt of offers.

The chief procurement officer may determine what goods, services, or construction, less than \$25,000 will be made through an electronic procurement system.

Slide – Small Purchase Thresholds and Numbers of Quotes

For all departments other than Executive Branch departments, expenditures with an estimated total cost that are less than \$5,000 shall be conducted pursuant to procedures established by its Chief Procurement Officer. For purchases \$5,000 to less than \$15,000 no less than three quotes shall be solicited. For purchases \$15,000 to less than \$25,000 no less than three quotes shall be obtained. For purchases of goods and services \$25,000 to less than \$100,000, procurement shall be conducted on an electronic procurement system. And for construction purchases \$25,000 to less than \$250,000, procurement shall be conducted on an electronic procurement system.

For Executive Branch Departments, the CPO has imposed the following procedures. Purchases of goods and services \$15,000 to less than \$100,000 shall be conducted on HlePRO and for construction purchases \$15,000 to \$250,000 shall be conducted on HlePRO. For procurements less than \$5,000, adequate and reasonable competition is recommended.

Slide – What if: Non-Electronic Procurement

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When an electronic procurement system is not available, you may not utilize the small purchases method of procurement for purchases \$25,000 or higher. However, you may utilize competitive sealed bidding, competitive sealed proposals or professional services as applicable.

Slide – Procurement Option to Small Purchases Method of Procurement

Prior to conducting small purchases procurement, agencies may want to consider utilizing a SPO Price or Vendor List contract. These contracts have been competed and awarded and are listed on the SPO website. In order to utilize these contracts, agencies are required to attend SPO workshop #190.

Slide – Parceling

What do we mean by parceling. When you break up a procurement to stay within the small purchases dollar threshold to use fiscal funds, this is considered parceling. For example. If you purchase \$63,000 worth of desks in July. Then purchase another \$58,000 worth of desks 6 months later. That is considered parceling because you need to consider the total dollar purchase in a 12-month period. In this case, the total is \$111,000 which is over the small purchases threshold for goods and services. The proper method should have been to conduct competitive sealed bidding.

However, if you know that in a 36-month period that the total purchase will be less than \$100,000 for janitorial services. The small purchases method of procurement may be utilized.

When considering a 12-month period, fiscal year does not matter.

Slide – How to Avoid Parceling

Procurements should be conducted to allow for competition. Things to consider in your acquisition planning stage for consolidation are whether you can group same or similar products or services, knowing who the competition is in the marketplace, and what the value or price of goods, services or construction is.

Slide – Getting Started Developing your Solicitation

Questions to ask yourself before you issue your request for quotes are:

What do you want to purchase, estimated total dollar purchase, specifications, quantities, unit of measurement, contract period and

delivery needs?

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Also, are there any other special/administrative requirements in general or specific to the goods, services, construction?

Slide – What Do You Want to Purchase?

As mentioned earlier, you should group same, like or similar items in one solicitation. For example, if you need to purchase fire extinguishers and maintenance for existing extinguishers you could create one solicitation for both. You may also want to consolidate these purchases for all your buildings. Thus, leveraging the purchase to take advantage of volume discounts. When creating the request for quotes, you may create two line items, one for the fire extinguishers and one for the maintenance. The award does not need to be made to one vendor for both line items.

Slide – What is the Total Dollar Purchase?

Knowing your total dollar purchase in a 12-month period will help you decide how to continue your procurement. You may decide to solicit for quotes on an electronic procurement system, even though you are not required to. By utilizing the eProcurement system, all vendors registered in the system will have the opportunity to respond, creating a more competitive environment.

Additionally, even though the total dollar purchase is within the small purchases threshold in a 12-month period, you may decide that you want to conduct competitive sealed bidding to secure a contract that includes multiple extension periods.

Slide – Specifications

It is recommended to purchase standard commercial products and not write specifications for custom designed products. This will create non-restrictive specifications that allow for more competition.

Slide – Guidelines for Developing Specifications

You should write clear, concise, consistent specifications. You need to identify your product or service minimum requirements. Don't call for a brand name or sole source. If you plan to allow for substitutions, you need to describe the method you will use to evaluate the product. Award must be made to the lowest responsive, responsible offer.

Slide – Types of Specifications

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Design specification means the dimensional and other physical requirements of the item being purchased. Design specification may explain how a product is to be fabricated or constructed. For example, if you needed a conference table. You would describe the size, shape, the type of material used to construct the table.

Performance specifications mean the functional or performance requirements of an item, what a product does and how well it performs. For example, if you need to purchase a copier. You would describe what capabilities the copier should include. How many copies per minute are required? Does the copier need to produce color copies or just black and white? Does the copier need to have scanning capabilities?

Brand name or equal means a specification which uses one or more manufacturer's names or catalogue number to describe the standard of quality, performance, and other characteristics needed to meet the requirements. For example, if you are purchasing a pickup truck. You could name Ford 150 or equal and list minimum specifications. If an Offeror wanted to bid another brand, they could as long as it met the minimum specifications.

Qualified products list (QPL) means an approved list of goods, services or construction items described by model or catalogue numbers, which, prior to competitive solicitation, the State has determined will meet the applicable specification requirement. For example, the notice will name a specific brand that the agency has determined that meets the minimum requirements for a cleaning solution. The notice would call out Clorox as the brand name and qualified product or QPL. If an offeror has a product that can meet the minimum specification by offering another brand name product, they would do so before the due date of the bid submittal. The agency would review the alternate product and if the product meets the required specification, the agency would then add that product to the list of pre-qualified or pre-approved products through an addendum. Therefore, the brand name list would consist of Clorox and Zep. The difference between brand name or equal and QPL is when the product is reviewed. In brand name or equal it is done after prices are received. In QPL, the product is reviewed prior to receiving prices.

Slide – Other Parts of an RFQ

In a request for quotes, as the buyer you would include the quantity of what they you are purchasing. You would pick the unit of measure based on the commodity. For example, if you are buying chairs the unit of measure would be each. If you are buying landscaping services, the unit of measure would be job. The scope of work would describe what would be included as part of the job. The contract period is the term of the contract. Will this contract include more than one 12-month period? As long as the total, is less than the small purchase threshold, this is allowable.

Delivery is the date the goods are to be received and the location.

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Minimum qualifications would list the minimum requirements of the awarded contractor. For example, if you want to hire a licensed electrician, the notice would state the Offeror needs to hold a C-13 or C-15 contractor's license.

And if there any other type of requirements such as the need for a bid, performance or payment bond, this information will be included in the request for quotes.

Slide – Construction Procurements - Bond Requirements

When procuring for construction utilizing the small purchases method of procurement and the contract amount will exceed \$50,000, a performance and payment bond is required. When creating your request for quote, this information must be included to meet this requirement pursuant to HRS 103D-305.

Keep in mind that the dollar threshold for small purchases construction purchases cannot exceed \$250,000.

Slide – During a Solicitation

During the solicitation period, you are allowed to respond to questions from interested offerors. However, it is advised that you share the same information to all vendors for fairness and transparency.

If you are making changes to the solicitation, an addendum shall be issued. This protects you and the vendor by documenting the expectations of both parties.

Slide – Basis of Award

For small purchases, award shall be made to the lowest responsive, responsible offeror.

If not practicable, award shall be made to the offeror whose quotation provides best value to the State. Practicable – means what may be accomplished or put into practical applications.

Slide – What is Best Value?

Best value is defined as 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.

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Slide – Criteria to Consider for Best Value

In most situations, award is made to the lowest quote based on meeting the minimum requirements. However, when all vendors meet the minimum requirements but one of the vendors is able to deliver a product sooner than the called for delivery date, this may be considered best value if the need is critical to the operation. Another example of best value would be if you required warranty on the product or work. All things being equal, one vendor offered a lifetime warranty vs the other offering only a one year warranty.

Slide – Making the Award

If an agency chooses to execute a formal contract, use of AG-002 for small purchases contracts may be used. However, a formal contract is not required. For Executive Departments, prior to making an award, if a vendor is registered in HCE, agencies are required to verify compliance in HCE and shall not require vendors to submit paper certificates. However, if the vendor is not registered, paper compliances are acceptable. Ultimately, purchasing agencies should be dealing with compliant vendors.

Procurements awarded through HlePRO requires a printout of the Award Summary Report to be placed in the procurement file.

For Executive Departments, small purchases awards for \$2,500 and above shall be posted on the Awards Reporting System within 7 days of the notice of award.

Slide – For Executive Branch Agencies Procurement Circular 2012-04 and Instructions

The following are instructions for Executive Branch agencies. For small purchases under \$5,000, adequate and reasonable competition is recommended. The use of Form SPO-010 and Form SPO-010A are optional.

For small purchases \$5,000 to less than \$15,000, a minimum of 3 quotes may be solicited by phone, fax, or e-mail. Use of Form SPO-010 is required and Form SPO-010A is optional.

For small purchases \$15,000 to less than \$100,000 for goods and services and for construction \$15,000 to less than \$250,000, procurement is required to be conducted on the Hawaii eProcurement System (HlePRO). A copy of Awards Summary Report shall be placed in the procurement file.

Slide – Adequate Competition

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If the small purchases procurement requires a minimum of three quotes, a bidder submitting “no bid” or a “no response/reply” does not qualify as a quote. Procuring personnel should consider requesting for more than three quotes to ensure that the minimum three quotes are received.

Conducting procurement through an electronic system does not guarantee adequate competition. It is the buyer’s responsibility to ensure that there are vendors in the pool for the commodity or service being procured, that specifications are clear and not restrictive and that potential offerors have enough time to submit a quote.

Slide – Award to Other Than Lowest Quote

Awards based on best value require an explanation why the vendor selected was not the lowest responsive, responsible bidder. For non-eProcurement small purchases, complete part D on form SPO-010. For procurements conducted on HlePRO, complete the Competition Comments field or as available in any other eProcurement System. Copies of the justification shall be placed in the procurement file.

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

If the small purchases procurement requires a minimum of three quotes, justification for the inability to obtain three quotes shall be provided and documented. Procuring personnel must exhaust all opportunities before this step. In some instances, it may be more appropriate to request additional quotes. For example, you requested quotes from four vendors for CPU slings. You received two quotes one via fax and the other by phone; another vendor submitted a “no bid” and the fourth you received no response. You still do not have three quotes. Knowing that there is quite a bit of competition for this product, the buyer is responsible to obtain the third quote by requesting a quote from yet another vendor or following up with the vendor that did not reply. If after exhausting all opportunities and you still cannot obtain three quotes, this information shall be documented in Part C of Form SPO-010 and placed in the procurement file.

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

When a procurement is conducted through an electronic procurement system, competition is extended to all those registered for the particular commodity code. However, in a situation where no responses are received, before a determination can be made that it is not practicable or advantageous to re-solicit, purchasing personnel have the responsibility to consider the following:

Were the specifications complete and clear?

What is the reason a new solicitation cannot be put out? Why is there not enough time?

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Was the appropriate commodity code(s) used?

Did the procurement reach the vendors in the appropriate vendor pool?

If it is determined that an alternative procurement method will be used, such as direct negotiations, a written explanation of the procedure shall be placed in the procurement file.

Slide – *What if:* Quotes Are Over Small Purchases Threshold

If you conduct a small purchases procurement for 200 chairs and all quotes exceed \$100,000, there are two options to consider. The first option is to reduce the quantity of chairs to stay within the small purchases threshold of less than \$100,000. However, you cannot do another procurement for more chairs within a 12-month period. Your second option is to conduct a new source selection as competitive sealed bidding pursuant to HRS103D-302.

If you conduct small purchases procurement for janitorial services and all the quotes exceed the small purchases threshold, you may reduce the scope of work. However, again, you cannot re-solicit for the services that were removed from the scope of work within a 12-month period.

Slide – Protests HAR §3-126-4(b)

A protestor means any actual or prospective bidder, offeror, or contractor who is aggrieved in connection with the solicitation or the award of a contract and who files a protest.

Protests shall be submitted in writing by the protestor to the procurement officer within 5 working days of knowledge giving rise to the protest.

When a protest is filed no further action shall be taken on the procurement until the protest is resolved.

Slide – 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.

Slide – It Doesn't Stop at the Award

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After the award is made, it is important that someone manage the contract, which will ensure that the State receives the goods, services or construction that meet the required specifications and/or scope of work at the price quoted. Normally, the responsible person is the Contract Administrator.

Slide – Public Inspection

For transparency purposes, all documents relating to the solicitation that are not marked confidential are considered public information and therefore, may be released to anyone requesting it through the Office of Information Practices process.

Slide – References

Here are the references pertaining to the Small Purchases method of procurement that are available on our website.

Slide – The End

This completes SPO workshop 120. To receive credit for attending this workshop you must complete the training self-certification form which will pop-up momentarily. You will also be requested to fill out a short survey by clicking on a link. We appreciate your feedback. Thank you for attending.