South Dakota Office of Emergency Management
Procurement Fact Sheet

General
The purpose of this fact sheet is to help applicants of different grants who are managed by The South Dakota Office of Emergency Management (OEM) understand procurement regulations. All the contained information derives from Federal and State procurement laws. It is important to note that Federal and State procurement laws can differ, and to ensure applicants are following both laws the guidance below is based on the most restrictive regulation.

Procurement Standards
- **Oversight**: all applicants must oversee their contractor’s work to ensure compliance with the contract provisions.
- **Necessity**: contracts must include procedures that avoid unnecessary work or unnecessary purchases of supplies.
- **Standards of conduct**: applicants must maintain written standards of conduct that govern the employees engaged in contractor selection.
- **Conflict of interest**: no employee, officer, or agent can participate in the selection of contract if he or she has a conflict of interest.
- **Gifts**: no employee, officer, or agent can accept a gift or favor from a contractor.
- **Award to responsible contractors**: contracts may only be awarded to responsible contractors that can successfully perform the work with integrity.
- Conducting geographical preference when procuring services is prohibited.
- Applicants may use a pre-qualified list of contractors as long as competitive procurement was used to establish those contractors.

Levels of Purchase
Depending on the purchased amount, different rules apply. This section outlines thresholds an applicant must know before establishing procurement methods. It is also important to note that if your entity has more restrictive thresholds; those purchase levels must be used.
- **Micro-purchase procedures**: purchases under $10,000 may be awarded without soliciting competitive bids provided the price can be proven as reasonable.
- **Small purchase procedures**: purchases between $4,000 and $25,000 for supplies and services need three quotes from three different vendors when possible and must be in the best interest of that agency.
- Supplies and service contracts of $25,000 or more and public improvement contracts of $50,000 or more must be advertised for bids or proposals.
- Contracts or purchases exceeding $250,000 must use a sealed bidding procurement process. Additionally, procurement actions exceeding $250,000 applicants must perform a cost analysis. The cost analysis method can be different depending on the type of work, but a good starting point is to make an estimate of what the work may be before receiving bids from contractors. Applicants must also negotiate profit as a separate element when cost analysis’ is performed. For these types of projects applicants must also ensure the project is adequately protected through bonding.

* Note: No purchases may be artificially divided to avoid the levels of purchase rules.

Methods of Competitive Procurement
- **Competitive Proposal**: Conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type of contract is awarded.
  - Must be publicized and solicited from an adequate number of qualified sources
  - Must have in writing the reason for choosing the received selected recipient
- **Sealed bids**: publically solicited, firm fixed price contract is awarded to the responsible bidder. (Preferred method)
  - Two or more bidders are willing and able to compete for business
  - The selection of the successful bidder can be made based on price

Please note the above information is designed to act as a summary of 2 CFR Part 200 and SDCL 5-18A. It is not intended to be legal advice, and should not be relied upon as legal advice. Individuals are advised to consult their own attorney regarding any questions pertaining to this material. For any additional questions regarding procurement and contracting; please contact a PA staff member with OEM at (605) 773-3231.
Non-Competitive Procurement
There are limited circumstances when non-competitive procurement is allowed. Noncompetitive procurement is when proposals are obtained from only one source and can be used only when one or more of the following apply.

- **Inadequate competition**: after the solicitation of a number of sources, competition is determined inadequate.
- **One source**: the item is available only from a single source. Advertising within entity territorial borders does not justify single/sole source procurement.
- **Emergency**: an emergency will not permit a delay resulting from competitive solicitation.
- **Awarding agency approval**: FEMA or OEM authorizes noncompetitive proposals in response to a written request from the applicant.

If non-competitive procurement does apply, applicants must perform a cost analysis. The cost analysis method can be different depending on the type of work, but a good starting point is to make an estimate of what the work may cost before entering into a contract. Applicants must also negotiate profit as a separate element when a cost analysis is performed.

Contract Types
Before choosing a contractor, applicants must ensure the contractor has not been debarred or suspended from Federal grant dollars. To do this, applicants can simply go to [www.sam.gov](http://www.sam.gov) and use the search engine. Below are the different types of contracts, please note NOT all contracts are suitable for use in conjunction with a Federal grant.

- **Lump sum**: contract for work within a prescribed boundary with a clearly defined scope and price.
- **Unit price**: contract for work done on an item-by-item basis with cost determined per unit.
- **Cost plus fixed fee**: either a lump sum or unit price contract with a fixed contractor fee added into the price.
- **Following emergency situations**, entities may enter into a [time and materials](https://www.fdas.gov) contract. These are not ideal contracts to enter into; however, certain circumstances are necessary to protect life and human safety. For these contacts, entities must establish a ceiling price for the contractor not to exceed and provide great oversite to decrease the opportunity of abuse by a contractor.
- **Cost plus percentage of cost** is a type of contract in which a payment is a predetermined percentage rate, the rate is applied to actual performance costs, the contractor’s entitlement is uncertain at the time contracting or the contractor’s entitlement increases with increased performance costs. These types of contracts are **NOT allowed**.

Small, Minority and Women-Owned Businesses
All applicants must take affirmative steps to assure small, minority, women-owned and labor surplus area firms used. The best way to locate these types of entities is through the Association of Procurement Technical Assistance Center (APTAC) [http://www.aptac-us.org/find-a-ptac/?state=SD](http://www.aptac-us.org/find-a-ptac/?state=SD). Furthermore, applicants must take these steps (when feasible) to try to include minority businesses:

- Placing these firms on solicitation lists.
- Solicit such firms if they are potential sources.
- Dividing tasks into smaller quantities when possible.
- Establish delivery schedules encouraging participation of such firms.

Maintaining Records
Upon grant acceptance or closure, FEMA or OEM may ask you for your entities' procurement records. Typically, a statement of how you procured your services will suffice the grant needs. However; all applicants need to maintain the following information in the event of an audit:

- Rationale for the method of procurement
- Selection of contract type
- Contractor selection or rejection
- The basis for the contract type

Consequences of Noncompliance
FEMA or the State may take any number of enforcement remedies in the case of a noncompliant procurement. They include:

- Temporarily withhold payments pending correction of the deficiency.
- Disallow all or part of the cost of the activity or action not in compliance
- Suspend or terminate the Federal award
- Withhold further awards for the program
- Take other remedies that may be legally available

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