**WorkforceGPS**

**SMART 3.0 Training: Procurement and Contract Administration**

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GRACE MCCALL: Welcome to "Procurement and Contract Administration, SMART 3.0 Training." So without further ado, I'd like to turn things over to our speaker for today, Chanel Castaneda, grants management specialist, United States Department of Labor, OGM, DPRR, Chicago, Illinois. Chanel.

CHANEL CASTANEDA: Good afternoon and good morning, everyone. Thank you, Grace. I'd like to also introduce my co-presenter. I have Tom DiLisio who will be speaking on the second half of this presentation. Tom is a senior accountant in the DFMS Unit in the region six San Francisco office. Say hi, Tom, to everyone.

TOM DILISIO: Good morning, everybody.

MS. CASTANEDA: It's morning for Tom. He's in San Francisco. OK.

So we'll get started since we started a little late. I know there was a couple technical difficulties with joining in, but hopefully, everyone was able to get in. If not, we just want to remind everyone that this presentation is being recorded. So if you are coming in late or you're not able to attend the whole session, please, you could access the recorded session through WorkforceGPS.

Just also a reminder that – (inaudible) – Thursday we took a break from our SMART training, but we're back at it starting this week every Tuesday and Thursday. OK. Let's get started.

Hopefully, you guys have seen this graphic before. It is just a reminder what SMART exactly stands for. We've had many iterations of SMART. Right now, we're in the 3.0 iteration, and SMART stands for strategies for sound grant management that includes monitoring, accountability, risk mitigation, and transparency. Hopefully, all of these themes, monitoring, accountability, risk mitigation, and transparency, are weaved throughout all our SMART training.

Also, we also want to remind everyone about the grants management toolbox. What are other tools in your toolbox that you could refer to when you want your questions answered? We have the Uniform Guidance, as well as DOL's exception, TAG part 1 and 2, which is the Technical Assistance Guide.

We also have the ETA's Core Monitoring Guide used as a TA tool. We have our SMART training, as well as for our discretionary grantees we have our Grantee Handbook. And of course we have WorkforceGPS. Please let everyone in your office know about WorkforceGPS so they can access all the great resources that we have on the website.

Here is just an overview of the module. We will be talking about procurement and contract administration. We'll talk about the rules, the law, the Uniform Guidance in regards to procurement, some applicable procurement standards, general procurement standards. We'll also talk about conflict of interest, as well as Tom will finish it up with procurement methods, the procurement process, the five phases of procurement that we suggest that every organization has, as well as essential contract elements when you are contracting with another entity.

Here are just some of the citations that we will be referring to. We have the Uniform Guidance procurement standards at 2 CFR 200.317-326. We'll be also looking at WIOA law section 121 as well as 183 as WIOA regulations as well. And then we'll also talk about the One-Stop operator TEGL.

That TEGL talks specifically about the One-Stop operator, but there's so much good information in that TEGL. We use it, and we encourage all of our grant recipients to at least use it when they're thinking about the five phases of procurement when they're procuring any other kind of entity or service or good, as well as we have some FAQs out there in regards to the Uniform Guidance as well as the One-Stop operator competition.

All right, everyone. Let's get started. I'll talk about the applicability of the procurement standards. I'll talk about contractor versus subrecipient, as well as the use of the Uniform Guidance procurement standards for states and other federal entities, as well as profit provisions. Can an entity that you do work – that you contract or subrecipient – or sub-award to, can they earn a profit? And that's a question that we'll answer in the slides to come.

So the Uniform Guidance procurement standards. Who does it apply to? All portions of the guidance apply to all grants, as well as cooperative agreements. ETA doesn't really deal with a lot of cooperative agreements, but it applies to all our grants. Any non-federal entity that receives a grant or agreement or sub-award, the Uniform Guidance would apply to it.

And as far as procurement standards, states – the Uniform Guidance allows for states to follow the same procurement policies and procedures it uses for the procurement using non-federal funds.

So let's talk about the distinction between contracts and sub-awards. The Uniform Guidance makes a very clear distinction between these two types of entities, and the reason for that – and you'll see as the slides coming through, the reason why the Uniform Guidance makes a clear distinction between those two types of entity is because, when you are contracting with a contractor, they don't necessarily have to follow the Uniform Guidance, while a subrecipient would have to follow the Uniform Guidance.

And then there's other things we'll talk about as far as competitively procured. Do you have to competitively procure a contractor, which is yes, or do you have to competitively procure a subrecipient? And we'll talk about that in the slides to come. But the Uniform Guidance procurement standards applies to contracts and necessar- – excuse me. Let me take that back.

The Uniform Guidance dictates that a competitive procurement process be used when they're procuring contracts. There is no requirement in the Uniform Guidance to use competitive procurement standards when you're awarding to a sub- – awarding a sub-award to a subrecipient.

However, if law or regulations dictate that a competitive procurement process be used when procuring a subrecipient, then a competitive process must be used. Or if your own procurement standards and policies and procedures dictate that you use a competitive procurement process when procuring subrecipients, then you are to use a competitive procurement process.

But if your policy – your procurement policies and procedures are – do not address the competitive procurement of subrecipients and that it is not a requirement under the Uniform Guidance to competitively procure subrecipients.

A contract is defined in the Uniform Guidance as a legal instrument used to purchase property or services needed to carry out the project or program. A contract often involves the purchase of goods and services for the non-federal entity's own use, and usually these goods and services are ancillary to the grant's operation, meaning they are not necessary in order to meet the grant's objectives or performance.

You want to make sure, if you are – if you have a relationship with an entity – with another entity, terminology doesn't necessarily create the relationship, meaning even though you may call this relationship with another entity as a contract or sub-award, you have to look deeper and see if any of the – so we'll look through in the next couple slides – if any of the standards apply to the entity either as a subrecipient or a contractor.

So make sure. Look at the relationship that you have with the other entity, and if it's – even though you may call them a contractor, they may meet all the standards for a subrecipient. So they may be a subrecipient rather than a contractor.

So what's a sub-award? A sub-award is provided by the pass-through entity, and a pass-through entity is a non-federal entity that receives the direct award from ETA. And they are tasked – they are mainly – their main responsibility is tasked with performing the grant's operations and meeting the grant's objectives. And in this case the pass-through entity has sub-award to another entity in order to carry out the grant's operations or to help meet the grant's objectives.

And it's important to emphasize that a subrecipient carries an integral or important part of the federal program or – on behalf of the subrecipient in order to meet – excuse me. It is important to emphasize that a subrecipient carries out an important part of the federal program or grant on behalf of the pass-through entity in order to meet the grant's objectives.

So you'll see in the next slide we've identified the distinctions – the Uniform Guidance has identified the distinctions between a subrecipient and a contractor. These – this is – this information is contained at 2 CFR 200.330, and it identifies factors to be used in determining whether this relationship you have with an entity is a subrecipient or a contractor relationship.

Here in the left-hand-side column is subrecipient, and a subrecipient is usually an entity that will determine who is eligible to – they determine eligibility, if their performance is measured by whether objectives of the federal program is met, and has responsibility for programmatic decision making and as well as responsible for adhering to applicable federal program requirements.

Then if you have an entity that is either determining eligibility, that their performance is being used to meet the grant's objectives, has programmatic decision making processes, and has to adhere to the applicable program requirements, as well as the grant's terms and conditions in the Uniform Guidance, then your relationship with that entity is a subrecipient.

If you have an entity that is only providing goods and services that are off the shelf or within their normal business operations or goods and services that are ancillary to the operation of the federal program, then you have a contractor. The relationship you have with this entity is a contract or contractor situation. You are just – this relationship means that they are only providing goods and services for the non-federal entity's own use, therefore creating a procurement relationship.

So these are important distinctions that we want to make when you are working with another entity. You will have to go through this exercise to determine if you are working with a contractor and a subrecipient. And this is very important because, like I said before, contractors do not have to follow the Uniform Guidance, but subrecipients have to follow the Uniform Guidance, the program's regulations such as WIOA, the grant's terms and conditions, as well as performance is – the performance of a subrecipient is important as well because that plays into your grant's objectives and meeting their performance as well.

And we have a – actually, another webinar in the – we actually had a webinar on subrecipient management and oversight. So you probably want to go back to that one if you do have some entities that you're working with that are subrecipients. And you have to make sure that you are managing them and have oversight over that entity in accordance with the Uniform Guidance as well as WIOA.

OK. Once we get those distinctions in place, let's talk about the selection of subrecipients.

Like I said previously, the Uniform Guidance doesn't require pass-through entities to competitively procure subrecipients. However, if your procurement policies and procedures require you to competitively procure or if the grant's terms and conditions or your grant's statutes, regulations, or laws require you to competitively procure a subrecipient, you do not have to competitively procure a subrecipient.

But however, you still have to do your due diligence when awarding sub-awards. The Uniform Guidance places a heavy emphasis on pass-through entities to have good internal control systems in place when you are working with subrecipients. So I not only talked about subrecipient management and oversight but also the selection of subrecipients.

You want to make sure that you are evaluating facts to ensure that you are working with either entities or service providers that are able to meet the objectives of the grant. You want to make sure you are working with responsible entities, and so what does a responsible entity mean?

That means that you are taking into consideration – and it's outlined in 2 CFR 200.331(b). Here are some factors that you should be taking into consideration when you're deciding to work with this other entity.

You could look at past performance. If you worked with them before, you want to maybe look at past performance. Did they turn in financial records on time? Did they turn in participant records on time? Did they meet their objectives of the sub-award? Were they responsive? Those are some things that you should keep in mind.

Other factors that you should look into when you're deciding to work with a subrecipient is, do they have an established financial management system? Are they a new entity? If they are a new entity, do they have established financial systems in place in order for them to provide information on a timely and accurate basis? If they are new and they don't have their systems in place, that may be a little higher risk to work with them. So those are things you have to evaluate.

Another thing you could evaluate is looking at audits and monitoring results. Are they an entity that has received prior federal awards? And if so, can you look at their monitoring rapport? Have they been audited before? Do they have a single audit out there? These are some things that you should take into consideration when you're deciding whether to work with another entity or not.

You also have to make sure that when – any time you are giving federal funds out, either as a sub-award or as a contract, you want to make sure you go through sam.gov and to make sure that any entity that you do work with, they have not been disbarred, suspended, or prevented – or prohibited from receiving federal funds.

So make sure your procurement policies and procedures has a step in place to make sure that you are looking at sam.gov to make sure an entity you're working with has not been debarred or suspended or prohibited from receiving federal funds.

Hey, so here are just some areas where you want to make sure your procurement policies and procedures address as far as purchasing. If you're allowed to purchase property, make sure you have policies and – procurement policies and procedures surrounding that. Supplies, equipment, leases, building space, intangible property, software, services, services such as auditing services, consulting, IT services, HR, hiring, staffing, temporary employment, as well as any renovations of leased or real property. You want to make sure your procurement policies and procedures addresses all of those areas.

So we're going to talk very briefly about applicability of the Uniform Guidance to procurement standards. The Uniform Guidance allows states – when they're procuring goods or services under a federal award, states must follow the same policies and procedures it uses for procurements from its non-federal funds. And this is found at 2 CFR 200.317.

All other entities, such as local governments, Indian tribes, nonprofits, institutes of higher learning, foreign profits, as well as for-profit organizations must – can – must use their own policies and procedures, provided that they are in conformance with the standards specified at the Uniform Guidance at 2 CFR 318 through 326.

So you want to make sure, if you are a non-federal entity that is not a state, that you make sure your procurement policies are in line with the Uniform Guidance. States can use their own policies and procedures as if they were using their non-federal funds.

So for-profits. The Uniform – DOL has an exception. Excuse me. Let me back up.

The Uniform Guidance does not allow for for-profit entities to receive federal funds. However, WIOA specifically allows for non-federal entities to enter into contracts and sub-award with for-profit entities. And in this case, this is where the WIOA law and regulations trump or precede the Uniform Guidance. Since the regulation and law have a precedence of authority over the Uniform Guidance, this is where WIOA directly precedes Uniform Guidance.

An example is WIOA allows for entities to contract with for-profits in regards to One-Stop operators, service providers, as well as eligible training providers. They – and we'll go through what does it mean if you are to contract with a for-profit entity. What are some – what are some steps you have to have in place in order to make sure that profit is reasonable and fair?

So here we have it once again. Here are just the citations. Uniform Guidance prohibits the earning and retaining of profit. WIOA allows for the earning of profit, such as the One-Stop operators, the service providers, and the eligible training providers. So they do allow for our grantees to contract or sub-award to for-profit organizations.

So let's just take the example of a for-profit One-Stop operator. If you are to contract with a for-profit entity, you have to ensure that any earnings on profit have to be negotiated separately from the cost of the contract or the sub-award. Like all our grant costs, the Uniform Guidance requires that profits be reasonable and fair, just like any other grant cost. So that means you have to negotiate separately from the cost of the sub-award or the contract.

In addition, the Uniform Guidance requires that any procurement action in excess of the simplified acquisition threshold, a cost price analysis must be performed. So if you are to contract or sub-award with a – with another entity that results in that procurement action being more than the simplified acquisition threshold, then you had to ensure that you perform a cost price analysis before performing that procurement action.

So what does it mean to negotiate separately profit as a separate element from price? These requirements apply to all awards, regardless of whether that award is made to a subrecipient or a contract.

The primary rule is that you must negotiate profit as a separate element from price when there is no price competition and in all cases where cost analysis is performed. Under these circumstances, profit cannot be hidden in an overall price but must be separately negotiated and identified in the agreement.

So the Uniform Guidance does not establish a specific percentage or a dollar amount when you're dealing with profit. Rather, it identifies there are some factors you should consider when negotiating profit.

Some of these factors include – some of these profit considerations that you should consider is complexity of work performed. If it is much more complex, the work, then the profit may be higher versus if the complexity of the work is a lot lower.

Risk. Who is maintaining or who is absorbing this risk? Is it you as the pass-through entity absorbing all the risk, or is it the contractor that you're working with? If you have all the risk on your side, do you expect the profit to be as high as if the risk was on the contractor?

What is a contractor's investment in the procurement – excuse me – in the contract? Is it minimal? Is it – is it minimal investment in it? If so, then maybe their profit is not as high. If your contract – if you're contracting with an entity that is planning to subcontract it out, some of the pieces of the contract, then maybe profit may not be as high.

Also, some other things you could take into consideration when dealing – when negotiating about profit is past performance. If you worked with them before – (inaudible) – as well as industry standard. What is the standard in your local area for profit for a certain service?

Like I said, the Uniform Guidance doesn't identify a specific percentage or dollar amount, but we could also look to the federal acquisition regulations such as the FAR. And they suggest for government agencies, because that is the procurement process that we follow is the FAR. They suggest that profit be kept at a minimum of less than 10 percent. And then we also could look to HHS. The Department of Health and Human Services limits profit to 8 percent.

So those are just some of the standards out there that we could point to as recommendations, but, obviously, these aren't requirements. And then every contract or sub-award, if you are dealing with a for-profit, you should look at other – look at these factors, these profit considerations when you're negotiating profit with that entity.

Here are just some other points that we should take into consideration. Government entities are not allowed to earn profit, as well as nonprofit organizations. By definition alone, nonprofits are nonprofit. So if they receive anything in excess of costs, that's considered program income and must be used for allowable purposes under the grant. So they must reprogram those monies back into grant operations and not be retained by the organization as profit.

OK. Let's take our first knowledge check. So, Grace, if you could pull up our first knowledge check, our first poll. All right, everyone. Let's vote.

True or false? All non-federal entities must follow the Uniform Guidance procedures at 2 CFR 200.318 through 326. True or false?

OK. Let's see. We're kind of – we have a lot of trues. So let's see what the answer is. OK. Thank you, Grace.

The answer is false. Remember states can follow their own policies and procedures – procurement policies and procedures as if it was using non-federal funds. So as far as applicability of the Uniform Guidance procurement standards, states do not have to follow the Uniform Guidance. OK. Thank you.

All right. Let's talk about some general procurement standards. We talked about applicability. We talked about distinction between subrecipients and contractors, and then we talked about contracting with for-profits and how do we deal with profit. Let's just – let's talk about general procurement standards.

You want to make sure – regardless if you're a state, a local area, a discretionary grantee, a nonprofit, Indian and Native American tribe, you want to make sure you have written policies and procedures surrounding procurement process.

You want to make sure that procurement process has a contract administration system, meaning do you have a separate procurement policy that deals with contracts, making sure that contracts are – you want to make sure that contracts are – have the standard – have all the written standards in place, all the contract provisions in place. You want to make sure that there's clear follow-up in the contract. Are payments made?

You want to also make sure you have a written code of conduct for your employees. If they are planning to be part of the procurement process either during the review – if they're in the review panel or if they are approving any procurement action, you want to make sure there's a written code of conduct for those individuals. Make sure that they sign updated conflict of interest statements. Make sure that, if they do have a conflict, that they at least make it known that they have a conflict, that they abstain from any voting or anything like that.

You want to make sure you have procedures that avoid unnecessary or duplicate purchases. You want to make sure this is – any procurement is the most efficient and effective use of our federal funds. You want to make sure, if you are entering any leases, that you do an analysis of any lease versus purchase alternative. Maybe it's better for your organization and for federal funds to purchase rather than lease a piece of equipment or a – or a vehicle or anything like that.

You want to make sure you have a process that promotes the use of intergovernmental agreements, and then you want to make sure that you have a procurement process in place to make sure you're only contracting or working with responsible entities that could perform the – perform whatever they need to do successfully.

OK. Next is more procurement policies and procedures. You want to make sure that you – that documentation for every step of the procurement process is in place. I know a lot of our FPOs will ask for the procurement history file when they're looking at contracts or they're looking at purchases. So you want to make sure your procurement history file contains all – contains all the documentation throughout all the steps.

You want to make sure you have mandatory disclosures of any violations. You also want to make sure your procurement policies and procedures has a settlement process. Do you outline or identify any grievance steps – grievance steps?

Let's, for example, say you have an RFP that's out there, a request for proposal. Do you have a system in place or have you made it known to everybody that, if someone is to grieve or an organization is to grieve a procurement process – a procurement, that they know the steps on how to grieve a particular procurement?

You want to make sure you have policies and procedures in place in regards to any protest, if there are any protests against any procurement actions that have been taken by your organization. And then you want to make sure that you have a procurement process in place to consider small, minority, women, and labor surplus business. The Uniform Guidance requires that there be necessary affirmative steps to be taken to ensure that small, minority, women's, and labor surplus businesses are used whenever possible.

So what does that exactly mean? That just means that you have to take affirmative steps to ensure that you consider these types of businesses, and when we say affirmative steps, that means there are at least some effort on your part, on your organization's part to identify and reach out to small, minority, women's, and labor business area firms, as well as ensure that you structure the procurement in such a way that enables that these firms can put in a bid or proposal when necessary.

They've – here are on the slide some affirmative steps that the Uniform Guidance outlines that we expect our non-federal entities to at least put in an effort to take when dealing with these types of organizations. OK.

So just to keep in mind for general procurement standards, we – you want to make sure that your written procurement policies and procedures be sound, efficient, fair, and cost-effective. We expect our grantees to use our federal funds in the most efficient and effective way. We want to make sure we get the best bang for our buck. So that's why we promote competitive procurement processes whenever possible.

Make sure your procurement policies and procedures identify the different procurement methods, and Tom will talk about the different kinds of procurement methods that the Uniform Guidance outlines. So you want to make sure that for every procurement action you put in place, you identify what is the procurement method you use.

You also want to make sure in your procurement history file you identify the phases or stages of a procurement process. You want to make sure that a procurement history file goes from cradle to grave so that in – when an FPO goes out there, they know from start to finish how you went about the procurement process.

You want to make sure you outline a history and recordkeeping requirements. What are the requirements for recordkeeping? And then as well as define the – identify and define the individuals with authority to initiative and approve procurement actions. And then you want to make sure you outline ethical practices.

All procurement actions should make sure that it is full and open, meaning that there is no restrictions in place to restrict any entity or organization out there that would like to do business with a – with your organization.

Some restrictions that are outlined in the 2 CFR 2- – in the Uniform Guidance at 2 CFR 200.219 includes placing unreasonable requirements, requiring unnecessary experience or excessive bonding, putting noncompetitive contracts to consultants that are on retainer contracts, if there's any organizational conflicts of interest, specify brand names are some restrictions that are out there to full and open competition.

You just want to make sure any procurement process that you put out there, that it's full and open and there are no restrictions in place to stop an organization or entity from applying to a RFP, a request for proposal, or an IFB, a request for bid.

You want to make sure – and Tom will talk about this. If you are going to do a micro-purchase, you want to make sure you distribute micro-purchases equitably amongst qualified suppliers. And like I said, Tom will go over what a micro-purchase is, since that's new under the Uniform Guidance. You just got to make sure you distribute that equally amongst qualified suppliers.

You want to make sure, if you do do small purchase procedures, that you get price or rate quotes from an adequate number of qualified sources. You would determine in your policies – procurement policies and procedure what an adequate number is.

You want to make sure also you – that your policies and procedures allow for sufficient time for all phases of the procurement process to ensure that it does not mean you restrict competition. For example, if you put an RFP out there and you only allow two days for response from any interested organization or entity, is two days really enough for an entity to respond to an RFP?

Probably not. That's restricting competition. It's an unfair amount of time in order for all interested parties to come up with a proposal. So you want to make sure you allow for sufficient time for all phases of the procurement.

Here are also some more prohibited restrictions to full and open competition. Geographic preferences. We don't want – we want to make sure we open it up, all competition, to any eligible and responsible entity, and putting geographic preferences restricts that. There was a – an example is the One-Stop operator. You just have to make sure that the One-Stop operator provides services in that local area, but the One-Stop operator does not necessarily have to be located in that local area.

For example, if you area a local area that borders two states or more and you have potential entity One-Stop operators – potential One-Stop operators that would like to submit their proposals, however, they're located just across the state line, is that a restriction? That is. You just have to make sure that One – that One-Stop operator provides the service in that local area.

Another example is outdated prequalified list. You want to make sure, if you're using any prequalified list, that it's updated on a pretty frequent basis. And then also, noncompetitive price practices. We saw during the One-Stop operator competition a lot of local areas putting out zero funding or no funding RFPs out there.

We know that there are organ- – we know organizations are not going to do this work for free. So putting out a zero fund or a no fund RFP out there will restrict competition. So these are just all types of restrictions to full and open competition.

We want to make sure that your general procurement standards have some transparency to it and that you award or you do work with responsible entities. You want to make sure that all your procurement processes, all stages have a level of transparency.

WIOA law talks about the sunshine provision, and the sunshine provision in sections 101 and 107 require that information about the selection and certification of the One-Stop operator must be made available to the public on a regular basis through electronic means and open meetings and made available to auditors and federal reviewers.

You want to make sure, regardless of the type of entity you are, that you have some transparency at your organization. Make it well known that you are putting out this procurement out there, and you want to make sure that, if you are doing work with any kind of entity, either as a subrecipient or a contractor, you must award to responsible entities, meaning you've done some sort of due diligence on your part to evaluate whether this entity can successfully perform under the terms and conditions of the proposed procurement.

You have to look at things like the entity's integrity, their compliance with public policy, their past performance. Do they have the financial and technical resources in place in order to perform successfully under this sub-award or under this contract? You have to evaluate whether it is – this entity you are going to do business, are they high risk?

We're not saying that you can't do work with high-risk – with grantees – oh, I'm sorry – doing work with entities that are considered high risk. But if you do evaluate an entity and choose to work with an entity that's high risk, we expect you to put extra measures in place to ensure that these federal funds are protected and that you are able – they are able to perform successfully under the sub-award or the contract.

Recordkeeping. Recordkeeping, like I said, is important when you have your procurement history file. This is what you're going to give the FPO when they come out and review on site or a desk review at your location. This is also what your auditors are going to look at. They want to make sure that the procurement action was transparent, it was full and open, there was no restrictions, and that you followed either your own policy, if you're a state, or you followed the Uniform Guidance, if you're not a state.

The Uniform Guidance requires that there be a maintenance of records to provide sufficient detail of the history of the procurement. You want to make sure that, when someone comes in to review your procurement history file, it goes from cradle to grave, from start to finish.

Once again, like I said, documentation is key during a procurement process. If – and Tom will talk about this more as far as sole source or noncompetitive procurement. These standards for documentation are especially high just because you have to demonstrate to ETA that you've done everything – you've exhausted all channels of your procurement, and it resulted in one entity responding to an RFP or an IFB.

If this is the case, the standards for documentation are a lot higher. Make sure, if you do do sole source or noncompetitive procurement, if that is what the results show up, then make sure your procurement – I'm sorry – your documentation is of high standard.

So what is contained in a procurement history file? At a minimum, it should include the proposal, the bids received, the ratings, the rationale behind the procurement process that you used. Did you use an RFP process or small purchasing, any of those? The selection, why did you select this entity to work with versus the others?

Any rejection or proposals, why did you reject them? Was there any disputes, any grievances, or were there any appeals? We want to see that documentation, as well as the – the basis for the price. What did you use as a consideration when you were considering contract prices or sub-awards?

You want to make sure – here are just some general requirements under WIOA. Make sure that you must contain a description of the competitive procurement process used towards grants and contracts under all programs funded under WIOA. And then you want to make sure – I'm sorry.

The – and just know that this presentation does not apply to the identification of eligible training providers. That is – you want to look to WIOA law as well as the regulations in regards to eligible training provider lists.

One thing we also want to take into consideration are just under WIOA. When you're dealing with WIOA youth service providers, ETA encourages the use of competitive procurement process when selecting youth service providers. We don't require it now. We just encourage it – the use of it.

And then the One-Stop operator, you – local areas are required to competitively procure One-Stop operators. Even though they are subrecipients, WIOA law requires that a competitive procurement process be in place when selecting the One-Stop operator.

All right. Let's go on to the next knowledge check, if Grace could pull that up. OK.

True or false? Non-federal entities may award sole source contracts to consultants that are on retainer contract.

Hey, looks like a majority of you are saying false. Grace, if we could see the answer.

The answer is false. We do not allow for retainer contracts. OK.

So I will turn it over to Tom. Tom will talk about conflict of interest, as well as methods of procurement, and finish it out with the procurement process and contract administration. All right, Tom.

MR. DILISIO: Thanks, Chanel. Good afternoon, everybody. It's still morning here in San Francisco. I'm hoping to clear up some of the fog in procurement by talking about conflict of interest and some of the other remaining parts we're going to talk about in procurement.

So conflict of interest. This is one of the most important things we look to when we're dealing with procurement transactions or acquisition, and it's very high profile because it's usually a problem. It's usually reported in the newspapers and so forth. So we really – this is the first time where we've brought the regulations really tightly in conformity with the Uniform Guidance so that they read the same and they're both in sync with each other, that there's no conflict between what the regulations say and what Uniform Guidance.

And that was done by design when we wrote the regs to be sure that we captured everything in the Uniform Guidance to apply it to WIOA. So it's really been beefed up from our prior circulars and our prior regulations because of the importance of it all.

So in WIA we – it's very specific. It talks about, in addition to the codes of conduct, what Chanel talked about, we also talked about how does conflict of interest apply? And specifically, the regs say that a workforce member or a local board member or committees can't cast a vote nor participate in any decision making capacity involving a procurement transaction where a member of a family would benefit financially from that issue.

That goes back to WIA. It's been in a lot of our regs, but it's real specific. And it's also linked to the Uniform Guidance here. There has to be a firewall between the role that the board member plays or any individual plays and how they're acting if they have a conflict, that they cannot act or make any decision or in part of anything that could benefit somebody, either themselves or some family member if there's a conflict.

And we talk about you must recuse yourself from voting. That's for sure. The other thing, we look at committees. A lot of committees do a lot of analysis, a lot of decision making before maybe go to a vote, and at that point you also have to look at the role you play on a committee if you're – if you're influencing anything or you have a conflict. That even though you're not voting, there could potentially be a conflict. We talk about having a firewall.

Chanel also mentioned about disclosure, and we talk about – when we talk about disclosure, we talk about we want an affirmative disclosure. So when you're involved in procurement transactions or acquisitions, that you affirm that you do not have a conflict. A lot of times we see individuals wait until somebody raises an issue and then says, oh, yeah. I should have disclosed that.

We want you to affirmatively state in your procedures, I do not have any conflicts, or if I do, what those conflicts are and you say what they either are potentially or you do not have any. So it's an affirmative. Don't wait until somebody comes to you and says, oh, by the way, this looks like you may have a conflict because either a member or you're involved in some other aspect of your business that could potentially relate to a conflict of interest.

Also, when you look at the regs, it talks about (inaudible) if you're part of a standing committee, or it says that, even though you receive WIOA funds, it doesn't necessarily mean you violate the conflict of interest provisions. If you're a local board member or you're part of a committee or you represent an organization sitting on a board, the fact that your organization receives funds doesn't necessarily by itself mean you violated the conflict or interest positions.

So keep that in mind. I mean, the key is, oh, you disclose them that you represent an entity or other business interest, but you've disclosed them. And of course then we say you can't vote. It also talks about where we say the Uniform Guidance kicks in here. It says, when you have a conflict, you must disclose in writing any potential conflicts to the Department. We need to know about that.

If there's a potential conflict of interest, you must disclose. That means all subrecipients, pass-through entities, and so forth. So you must disclose any conflict of interest when you're a recipient of grant funds. And that's – as I said, you should do affirmative disclosure saying, I do not have a conflict, and if you do, you disclose it to protect yourself and protect the organization, that they're aware of the conflict and they establish a firewall between those conflicts to abate it.

Again, Chanel mentioned code of conduct. This is a key important part that you address conflict of interest. It governs not only how your employees engage in your selection award of administration – (inaudible) – but it covers other things like your code of conduct talks about the standards, the moral ethics at the top, the tone at the top, how the agency will not tolerate improper behaviors, and so forth.

Part of that is conflict of interest. Because you're involved in the selection of award and administration of grants, you need to address how you deal with conflict of interest and how you've established firewalls to abate those conflicts when they arise because we realized a lot of you sometimes play – you wear multiple hats in your work.

You may be evaluating but you're also supervising things and you're involved in writing an RFP. Those all interchange sometimes. So it's very important that your policies address how you deal with conflict of interest and how you abate those issues.

We also talk about the types of conflict of interest. There's real conflicts of interest. There's apparent conflicts of interest that may not be as direct, and then there's also organizational conflicts of interest, depending on how your organization works either within itself handling multiple roles with WIOA funds or other grant funds. So we'll discuss a little of that as they come up.

So first type conflict of interest, we talk about real conflicts. It's real straightforward. It talks about you cannot – if you're an employee officer, an agent, if you participate in the selection award, administration of any type of procurement, you must disclose any real or apparent conflicts of interest.

The second type is organizational conflicts, and that's in the Uniform Guidance. And that talks about affiliates and parent organizations, subsidiaries, where a non-federal entity may have different business units that they do business with, a parent entity, or they may do certain things. The parent entity provides other resources or other services to that entity. That has to be disclosed, and you have to abate those conflicts.

Depending on how those relationships work, it's very important that they're disclosed. We've done reviews where we go out. We're working with one organization, and we find out they may have commercial for-profit organizations under their umbrella. They may have other nonprofit organizations that provide unique services to the parent entity or from the parent entity. It charges costs to our grant.

So those have to be disclosed, and you have to have firewalls to prevent conflicts between when decisions are made, that there's not any impartiality – or we want impartiality, but there's no decisions that are made that could reflect doing business with itself. So that's a key thing we always look at. So those are organizational conflicts.

It also may relate to, if you're a staffer and you're involved in a part of a business, who supervised you and what involvement you had in maybe other parts of the organization? And are there conflicts between the two divisions or the type of work you do? And that needs to be disclosed and also firewalls set up to prevent partiality in your decision making.

So real specific, the Uniform Guidance is real specific here, and this didn't exist in our prior guidances. If you hire contractors or individuals to draft your specs for – when you're doing procurements or your requirements or sometimes we call them statements of work, invitations for bids, or requests for proposals, you're going out to procure something and they're drafting them for you, they are excluded from competing on such procurements.

So when you hire a consultant or you have another entity writing that bid for you or helping you, assisting you, they are specifically forbidden from competing. So that's something we come across now and then where entities will hire organizations or write their statement of works for new grants, for new applications. They cannot then apply and be part of that procurement. Sometimes they write themselves into the proposal, if it's funded. That is forbidden, and that's very specific in the Uniform Guidance.

So let's talk about, as Chanel mentioned, about how we go about buying things in the Uniform Guidance. And there's basically five ways we buy things, and there's difference between each one. So we'll walk through each of these individually.

The first one we talk about is called – we have micro-purchases. We have small purchases. We have sealed bids, so very formal. We have competitive proposals, which a lot of you are used to, and then we have what's called noncompetitive proposals, and those are sole source proposals or sole source procurements.

Micro-purchases is new. The Uniform Guidance tried to simplify the methods when it was rewritten to allow a little more flexibility when you're buying small items. So let's talk about each of those.

So the micro-purchase method is any time – and it was raised. It used to be a lot smaller, but now, it's anything under $10,000. When you're buying things, anything you buy under $10,000 comes under the micro-purchase limit.

Small purchase requirement goes from $10,000 up to $250,000. It used to be $150,000, but the OMB raised that up to $250,000. So when you're between $10,000 and $250,000, which would probably be a lot of you if you're doing some of your bigger transactions, the small purchase procedures would be followed.

Sealed bids are usually greater than $250,000. That's a very formal process where you go out for sealed bids.

Competitive proposals are used for, depending on – similar to sealed bids, depending on the size. There's not a dollar limit, but it's usually you're buying – you're procuring something that you're – it's new to you. You're wanting to know how it would be delivered and so forth. It's not a standard price. It's not a standard service. So you're not sure where you would get it from, how it would be delivered to you.

And then we have noncompetitive proposals, which are sole source. What do you do when you've got no response there is only one supplier of this service?

And then there's – at the end there's one talking about professional and qualification-based services, and that's usually dealing with architecture and construction or some very unique scientific type procurements that talk about who's qualified to deliver these type of services and are they – do they have credentials and are they certified and so forth?

The thresholds for these are set in the Federal Acquisition Regulation, what we refer to as the FAR, and that's usually how the government – the federal government regulations that apply to us when the federal government buys things. So every now and then – for example, the micro-purchase level went up. Also, the small purchase level went up on October 1st.

Those could change on occasion, and that's where they come from. They come from the FAR, as well as when we change those. So they've been updated. We issued a memo to all our grantees notifying that these levels go up. So when they do change, we would notify our grantee community.

So micro-purchases. These are small acquisitions not to exceed $10,000. They can be awarded without getting quotes, if the price is reasonable. This is usually you're buying commercial standard things, off the shelf. They have set prices. You're buying pencils. You're buying paper. It's a standard type thing you're buying.

You can easily shop those prices with catalogs, the internet, stores, and you try to – you try to move around your supplies as you buy those or things you buy at that low level to maybe multiple suppliers so you're not always favoring one. But you're not really getting quotes. We're relying on you to buy the best deal for your organization. Because it is a small amount, we don't want to make it overly burdensome with documentation requirements.

But we're relying on you to shop for prices and just buy the best deal for you. It's a price decision. It's very standardized procurements. There's no question of – you're not writing any specs of what you're buying. You're just saying, we need to buy folders, red folders, blue folders. We need to buy index cards. We need to buy paper. It's very straightforward.

So that's a simple one. Anything up to $10,000 you're not required to document quotes, but you could have a method of doing it. So you'd say, we use local suppliers, we use catalogs, and we use the internet. That's straightforward.

So then now, we're over $10,000. Now, we're buying a little more. Maybe it's a bigger supply. You might be a state or a larger nonprofit organization where you're buying a little more than $10,000 because you want to take advantage of better pricing. This is between $10,000 and $250,000. OK.

We like – you may be aggregating your supplies and say, oh, let's buy it at one time. This is usually adjusted. We raised it from $150,000 to $250,000. This is where you have to at least document that you received at least a minimum number of quotes, and we would say three, adequate number of quotes.

They can be price quotes. They can be faxed in quotes. They can be mailed in quotes. It might be three big – three catalogs that you say we checked these three prices. This was the best deal. You're still picking your supply based on the best price. These are all price-sensitive decisions. So it's standardized things you're buying.

Again, you're not really spelling out what – how – what type of pen you need or what type of paper you need. It's very standard type things you're buying, readily available, commercially available. It's just in a larger quantity up to $250,000. So that's sort of straightforward.

It would be – say you're buying a vehicle. We need to buy a transportation van. We can easily say we need a van that will hold 12 people and a few items, and we can usually go to three or four dealerships and say, what's the price of this type of van from each of you? So it's straightforward, but you have to document three quotes. That's small purchases.

Now, we get into sealed bids, and this is more of the formal way we do. There's no price. Usually, we're buying over $250,000, and it's formal advertising. As Chanel mentioned, you may put out a solicitation. It should be available for at least 30 days before a response is required so organizations have time to write a – prepare a bid for you.

It's usually a firm fixed price concept, which means it's a straight dollar amount. Usually, the lowest price wins it, and it's only for what you asked for. You usually – you usually spell out your statement of work or specifically what you want to buy. And this is usually standardized language also. You're just buying in a large amount.

For example, you may be buying a giant computer system. So you're going to say it must have so many terminals and so many computers and so forth, but it's very standardized equipment, supplies that you're buying. You're not telling them to build something specifically for you, but you're just buying in a very large quantity, and you want a formal bid because it's a large amount.

A state may do it – may do this when they're buying – excuse me – paper for a major department. They might be buying food service for their corrections buildings and so forth, things like that. It's just large. It's the method we usually – if we're doing construction work or large things that we want a set price, and usually lowest price wins. There's a formal opening. Bids must be delivered by a certain timeframe, and the lowest price usually wins. That's sealed bids.

So now, we get into what's called competitive proposals. This is the method I think most of you are comfortable with and have done in the past. This is where we're advertising request for proposals. We have evaluation factors. We spell out sort of the what we think we need, where we need it, how much we need, where it needs to be delivered, and we ask for you to prepare a proposal and tell us how you would deliver that.

It's things that are not readily available off the shelf, and there's no standard supplier. You're asking for the person responding to tell us how they would deliver that. So it's really critical that how you write what you're looking for to be very specific in your statement of work and then how you're going to evaluate what's the best proposal.

And this is – price is a secondary consideration here. While it's important we look at the price, we're really looking at what proposal is the most advantageous to you? So it might be quality of services, the number of services you're going to receive, where it's going to be delivered, how in depth that service is going to be provided, the people providing the service, or what you're looking for. And that's how you're – and you're using evaluation factors to determine that, and you're publishing evaluation factors.

This is where we got to be sure that we have people that disclose that they have – affirmative disclosure that they have no conflicts when they're doing the evaluation of these proposals and making the award.

Lastly, what happens when we've looked around, and we can't find – nobody's provided a bid? We don't know – we can't seem to find what we're looking for. This is called sole source, noncompetitive. And it's usually a source – an item or a service is only available from one source. It may be very unique. Sometimes it's specialized equipment.

Also, we have emergencies, and the rule of thumb for emergencies is, any time there's emergencies, safety, security, public exigency, you can take whatever action with sole source to fix that.

We had an example years ago in Michigan. The roof of a One-Stop caved in from snow, and they contacted our office and said, we need to be up and running Monday morning. We need to have our One-Stop up and running. So we granted them authority to use sole source to do whatever it took to get a building, find a building, move equipment, get it up and running.

Somebody breaks into your facility. You need to secure it right away. There's damage from water damage. There's things like that. You are usually authorized under the emergency provisions to take sole source – to use sole source methods to get what you have to do. Get it done.

Sometimes the federal government, we will allow sole source. We don't usually approve them. So you don't come to us and ask for permission. You may notify us. So it's really competition is very limited, and you do whatever you can to find what you need. But you have to document that you've gone through processes of how did you get to sole source.

You may have tried other methods that didn't work, and eventually get to a point, what do we do? We can't have a – so you may be approaching an entity. You may be in an area where it's a rural area. There's not a lot of suppliers of program services. So you may have to approach an entity and say, could you come in and deliver these services? What would it cost us? And you negotiate with that entity.

If it's a commercial organization on a sole source, you must negotiate the profit level you're going to pay because they realize that they're the only supplier and you're the only one and you need it. You have to negotiate that separately and be sure that's part of your negotiation.

So we got a question. We've covered those steps. First question is on the thresholds.

Small purchase is between $10,000 and $15,000.

OK. That looks good. We have 86. It should be pumping up. The answer is false; right? It's been raised to $250,000. OK.

Now, we're getting short of time. So I'm going to try to cover these next few slides. I'll try not to go too fast, but so let's talk about the process of when you procure things.

There's usually a planning phase. There's a release and evaluation phase. There's negotiation and selection phase when you're deciding who you're going to award, and then you implement the action and then there's a closeout phase. We're going to zip through those.

So real quick, when you're planning, you're identifying your need. You're doing market research. Keep in mind you have a lot of research already. You have prior providers you do business with. You know what costs are. You know what costs are in your locality. You know how these services are normal provide. So you know that information. Be sure you use it.

Also, then you want to identify what method we're going to use – what procurement method are we going to use to either re-procure those services? Are there other services? And if there are, do we have to develop new requirements? Is it a new grant that requires new requirements that you have to establish?

Then do you – how do – who's going to develop the RFP or the sealed bid award? Who's going to develop that and issue that? And then how are you going to rate your factors? What factors are you going to use to determine what's the best deal and so forth before we issue that? OK. So that's sort of the planning phase.

Then we get to release and evaluation phase. We publish the solicitation. We give them at least 30 days to respond so we can – we get more competition. Entities prepare their proposals and bid. During that period you may want to host a bidder's conference, if you have a lot of entities, if it's a new service.

We did this during the One-Stop grants way back in 2000 where ETA held bidder's conference to say, tell us how you would – how would you deliver these services? We're not sure how to write the RFP. Give us an idea as how you think they should be delivered. We take that information, and we use it to maybe write our RFP and consider factors that we didn't think of.

Then you publish it. You collect your proposals and bids. You score them and evaluate them. That usually gets you toward who's going to be awarded. So now, you've got a selection. You have your highest – maybe your best proposal, and you want to be sure you set a fundable range when you're doing evaluations because you may have multiple proposals are in that category that they're all pretty good. They're not perfect, but they're all similar.

How do you pick between the one, two, or three entities you have? You may split your funds and give some to each, or you may – you can go back to them if they meet that minimum level. And usually, sometimes we say it's 80 percent of the points we give out or how you score them. It's a certain level where you've either met it or you have not met it.

The ones that have met, you can negotiate then with each of them to say, give me your best and final. You're weak in this area. Can you improve that? Your costs are high here. Are you sure that's the rates we have to pay for that? We think that's a little high. But you're allowed to negotiate performance. You're allowed to negotiate how many services you're going to receive, where they're going to be provided, and so forth, and you negotiate. You may have to negotiate profit. What's a reasonable profit, if you have a commercial organization bidding?

So once that's done then you've got your selection. You negotiate an agreement. You send that forth for approval by your board. They sign a contract and you accept the offer and you have your contract or your grant agreement in place. And you use the proper document. Is this – Chanel said, is this a subrecipient relationship for the proposal you have awarded, or is this a contract that's a commercial entity you're awarding?

You want to have the right type of agreement with the right type of situation because they require certain clauses in those. There are certain clauses for grant agreements that must be embedded. There's certain clauses for contracts.

After that you implement. You conduct your oversight and monitoring. If it's a high – more high-risk entity, you may do more monitoring. You may have to be more TA, but it's based on the entity and your risk analysis that you do. You get invoices. You process your invoices. That's the way of doing some monitoring – in-house monitoring and see how well they bill you, if they're timely.

You monitor performance. Certainly, if this is a cost reimbursement contract, there's more risk on you because they're going to incur costs and you have to be sure performance is delivered as opposed to a fixed unit or a fixed fee. And you evaluate and approve that, and you may award – see a lot of times we see three-year grant agreements awarded one plus two option years.

You have to be sure that, when you evaluate those at the end of the first year, that they've met a level to be awarded the second year of funds. Otherwise, you might have to re-procure for those services.

And then closeout. You always want to be sure you close out every agreement. Every year we get questions in our regional office where an entity comes to us. A state or a nonprofit says, a small subaward never got paid for a service they delivered six years ago. We got the invoice, and it looks good. Can we pay it? We say, certainly you can pay it, but not with our federal grant funds because you should have closed out that agreement.

So you always want to go back to those entities when your agreements are ending, that they sign off that all invoices have been submitted, all performance reports have been submitted. You take possession of those reports, if you need them, because we could come in in a year and auditors could come in in a year, and they may not exist or they may have moved on.

But you – we're going to hold you accountable as the pass-through entity to be sure performance is met, costs were allowable, safeguarding the information with PII, and you retained the documents you need and you close it out. But be sure they sign off that everything has been submitted so they can't come back and say, oh, there's a bill that was never paid.

Again, you want to make things – and we talk about when you're doing this, you want to be sure you use straightforward language, statements of work. Don't make it overly complicated because the more complicated it is, the more cost it's going to be. Be sure you include any requirements or federal, state, and local statutes that they have to comply with. For example, a competitive proposal for program service, so we'd say you have to follow the Uniform Guidance and so forth.

You spell out the period of time this is going to be. You be sure you schedule timetables for deliverables, payment terms. The key also is, when you're – if you're dealing with a commercial organization, you're going to pay profit. When are you going to pay that? When they achieve a certain level of performance?

The FAR and the circulars are very specific and says, you cannot pay profit based on costs incurred. It has to be tied to either some other way, which would be either certain deliverables or certain level of deliverables or when those – or when those deliverables are achieved that you would release that profit amount. So it's not based on those incurred costs they get to incur their profit. It's really you have to set those scheduled deliverables. And then you have the – you have your contract terms.

Real quick, you've got to be sure that when you're dealing with a subrecipient you identify the Uniform Guidance and all the requirements, and those are found in WIOA. There's Uniform Guidance. There's certain exceptions. Be sure you read that. We've covered that. I think Chanel covered a couple. For example, we say that a One-Stop operator must be procured, even though other subrecipients are not required to be procured. And be sure that they're passing those down as they're procuring items and so forth, acquiring items.

Real quick, we got resources. You can see we got the Core Monitoring Guide. The TAG hopefully will be coming out. We have TEGLs on One-Stop competition, our exceptions, and then various citations in the Uniform Guidance, and other web resources.

So I know we're running late on time. I'm going to just click through that and say again, we have a toolbox that covers all those areas. We got Uniform Guidance. We got the TAG, a monitoring guide. We're doing the SMART training. We have a Grantee Handbook, and then there's Workforce GPS.

There we go. Questions. I will turn it back over.

MS. CASTANEDA: All right. Thank you, Tom. We got some questions. We have out seven, eight minutes. We did – I do realize we started a little late because we know there was a problem with logging in. So we'll go a little over, but we do have some questions.

First question is, Tom or myself, "Subrecipient versus contractor. If any item in the subrecipient column is true, is it a subrecipient, or is it all items have to be true to be considered a subrecipient?"

MR. DILISIO: We would say any one of those usually makes it a subrecipient. It would be very rare that it's only one item. I mean, I have seen unique cases where maybe one item on that did not make it a subrecipient, but usually, those are the key factors.

The other one that's sort of subjective, it says, well, they're operating to carry out the federal award. Well, usually, all our funds go out to carry out the federal award. But they're making decisions. They're dealing with performance. They're dealing with enrollments. That makes them a subrecipient.

MS. CASTANEDA: Yes. And I agree with Tom. If any entity that you work with, if they meet any of those items, they are considered a subrecipient. All right.

Second question, "Are workforce development boards considered a pass-through entity or a subrecipient?"

MR. DILISIO: They're both. They receive funds. So they're a subrecipient, if they're doing work. They may be operating a youth program. The board may be operating things. They may be a One-Stop operator, potentially. That's a subrecipient relationship. So they can be both. If they're receiving funds and expending funds, they're a sub.

If they're passing through entities to other organizations for other programs, other organizations, they're a pass-through entity, and they have to do oversight and manage those awards and contracts.

MS. CASTANEDA: Yes. So if you are an entity that receives either direct – if you receive direct funding and you pass those funds to another organization – for example, if you're a state and you receive money from the ETA and you pass that down to the local areas, you are a pass-through entity. However, if you are a local area and you receive those funds from the state, if you go and pass those on to another entity, then you are not only a subrecipient but you are a pass-through as well.

So it depends. If you are passing the funds through, you are considered a pass-through entity, and if you are receiving funds, you are considered a subrecipient. So you – and Tom is correct. You could be a subrecipient and a pass-through entity. It all depends on the origination of the funds. OK.

Let's see. Another question is – oh, sorry. I'm trying to scroll up. OK.

Question is, Tom or myself, "Is profit calculated based on budgeted costs or actual costs?"

MR. DILISIO: Profit is – a profit – almost everything we do is based on actual costs.

MS. CASTANEDA: Correct.

MR. DILISIO: While initially you set up a budget when you're awarding an agreement or a sub-award, you know you have a budget, but it's always based on actual. Line items as well as the profit line item, they're all treated based on actual.

MS. CASTANEDA: OK. Sorry, everyone. There's a list of questions, and we're trying to scroll through them. OK.

"For procurement standards, would renewing an existing annual contract be exempt from procuring competition?"

MR. DILISIO: Well, that's an interesting question. That goes back to how you originally awarded the contract and how you did the competition. Did you ask for multiple years or did you just ask for one year and that's all you did?

So if you asked for only one year, then you have to re-procure it. If you said, we're looking for, let's say, a copier, we're going to buy several copiers and we're going to lease them for multiple years, maybe up to three years and so forth, then you'd be allowed to keep that in place. Same with maybe a proposal for a provider. You say we're going to award up to three years' worth of funds, but it's based on you meeting a certain level of performance. So we always say year one plus option years.

That has to be part of your original acquisition when you go out and request to buy that or procure it. So you can't once you've bought it with one year just say, well, we're just going to start renewing it. That does not count. You would have to recompete it.

MS. CASTANEDA: Yes. And make sure, if you do have those contracts with option years, just like when you do work with a responsible entity, you have to make sure that entity, even through the – when you're considering going forward with an option year, that they are still a responsible entity.

MR. DILISIO: That's right.

MS. CASTANEDA: Are they meeting the performance set by the contract or the sub-award? Are they being responsive to questions? Are they being – turning in reports, financial or participant reports, on a timely and accurate basis? So even though you have those contracts with option years, make sure that that entity that you're doing work, if you do proceed to activate an option year, that they are still a responsible entity. OK.

MR. DILISIO: Yes. Yes. Real quick, one example might be signing a lease for space. Certainly, you don't lease year to year. You – but you would not over – you would not sign a lease beyond what your funds expire. So if you have a three-year agreement, we would expect you to sign a lease for three years, not four years or five years or six years. You may have an option to renew it because you may get re-funding, but keep that in mind. You want to line it up based on your funding.

MS. CASTANEDA: OK. Thank you, Tom. All right.

Someone – we have a couple questions in regards about geographic preference. First one is, "For RFPs are you allowed to give bonus points for organizations who are local, and is this considered being restrictive?"

MR. DILISIO: Do you want me to answer that one, Chanel, or –

MS. CASTANEDA: Go ahead. I'll answer the next question.

MR. DILISIO: So we mentioned that we want to look for local providers. There's all sorts of organizations we do – small businesses and so forth. You also have the Buy American Act and so forth. Certainly, you want to consider that.

Awarding points, I'd say if you use that, I would say very little. We've – because otherwise it could be deemed as being restrictive where an entity is getting a substantial amount of points because they're local, which sort of restricts competition. So it would be a consideration. I would give it very, very small amount of points because you're looking at a lot of different suppliers. We're looking at small business, veterans, some of the other ones, so forth.

MS. CASTANEDA: Minority, women.

MR. DILISIO: You want to – (inaudible) – minority, women, things like that. So they're all – they all – those are required things. Those are points. Being local would be one of those, but it would be a small amount of points.

MS. CASTANEDA: OK. So we have a couple more minutes. We'll do one more question just because there is another webinar right after this.

Last question is, "Please provide the citation that says One-Stop operators must be located nearby. I'm aware of One-Stop operators who cover multiple states. Your slides say they must be located through, though you said they don't have to be in that same area."

So the slide says the One-Stop operator services must be provided. So the service itself must be provided in the local area. The operator itself does not have to be located locally in that area. We do have One-Stop operators that their organization may be incorporated in other states and they take care of other local areas. The services themselves have to be in the local area. The operator itself does not have to be. So that's just the clarification we want to give everybody.

OK. So we are running out of time. If you have any more questions, please let us know through either the webinar chat. We'll look at them. But once again, these webinar series is every Tuesday and Thursday at 1:00 to 2:00 p.m. Eastern Time, and then I will \ turn it over to Grace who will close out this webinar.

(END)