

## City of Chicago

April 2017

| <b>Uniform Grant Guidance 200.324</b>   | <b>Procurement Policy</b>  |
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| <p>200.317 Procurements By States<br/>                     When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds. The state will comply with section 200.322 Procurement Of Recovered Materials and ensure that every purchase order or other contract includes any clauses required by section 200.326 Contract Provisions. All other non-Federal entities, including subrecipients of a state, will follow sections 200.318 General Procurement Standards through 200.326 Contract Provisions.</p> | <p>See all applicable laws, policies, and/or procedures stated below</p>   |
| <p>200.318 General Procurement Standards<br/>                     (a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.</p>   | <p>Chapter 2-92 of the Municipal Code of Chicago (“MCC”) and Illinois Municipal Purchasing Act</p>   |
| <p>(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.</p>  | <p>MCC Chapter 2-92; contract monitoring and compliance monitoring during performance and at closeout are an integrated part of the procurement process, achieved through a partnership between the Department of Procurement Services and the various user departments of the City of Chicago</p> |
| <p>(c) (2) If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be</p>  | <p>Not applicable</p>  |

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| <p>impartial in conducting a procurement action involving a related organization.</p>   |  |
| <p>200.318 (d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.</p> | <p>Procurement Fundamentals, DPS Toolkit, Buying Plan</p>  |
| <p>200.318 (e) To foster greater economy and efficiency, and in accordance with effort-s-to promote cost-effective use of shared services across the Federal government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.</p>              | <p>MCC §§ 2-92-600 and 2-92-649</p>  |
| <p>200.318 (f) The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.</p>  | <p>User department responsibility to identify needs and potential sources that will meet those needs at the best value</p> |
| <p>200.318 (g) The non-Federal entity is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.</p>                          | <p>User department responsibility to craft specifications that meet their needs at the best value</p>                      |
| <p>200.318 (h) The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.</p>                        | <p>Authority of the Chief Procurement Officer includes responsibility findings and debarment decisions</p>                 |

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| <p>(j) The non-Federal entity may use time and material type contracts only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and material type contract means a contract whose cost to a non-Federal entity is the sum of:</p> <p>(j) (1) The actual cost of materials; and</p> <p>(j) (2) Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.</p> <p>Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the non-Federal entity awarding such a contract must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.</p> | <p>User department responsibility to craft specifications that meet their needs at the best value</p>   |
| <p>(k) The non-Federal entity alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts. The Federal awarding agency will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a Federal concern. Violations of law will be referred to the local, state, or Federal authority having proper jurisdiction.</p>  | <p>The Chief Procurement Officer has the authority to decide contract disputes and bid protests. Regulations for both have been promulgated and are followed. The Department of Law handles claims. Violations are reported to the Office of Inspector General and the Department of Law.</p> |
| <p>(c) (l) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts.</p>  | <p>Rules of the Board of Ethics; Contractor Policy.</p>   |

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| <p>No employee; officer, or agent must participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.</p>  |  |
| <p>200.319 Competition</p> <p>(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:</p> <p>(a) (1) Placing unreasonable requirements on firms in order for them to qualify to do business;</p> <p>(a) (2) Requiring unnecessary experience and excessive bonding;</p> <p>(a) (3) Noncompetitive pricing practices between firms or between affiliated companies;</p> <p>(a) (4) Noncompetitive contracts to consultants that are on retainer contracts;</p> <p>(a) (5) Organizational conflicts of interest;</p> <p>(a) (6) Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement; and</p> | <p>MCC Chapter 2-92; contract boilerplate allows for bidding equivalents; review by both the Department of Procurement Services attorneys and the Department of Law; home rule authority</p> |

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| <p>(a) (7) Any arbitrary action in the procurement process.</p> <p>(b) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.</p>   |                                       |
| <p>(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:</p>   | Procurement Fundamentals, DPS Toolkit |
| <p>(c) (1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and</p> | Procurement Fundamentals, DPS Toolkit |
| <p>(c) (2) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.</p>  | Procurement Fundamentals, DPS Toolkit |

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| <p>(d) The non-Federal entity must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the non-Federal entity must not preclude potential bidders from qualifying during the solicitation period.</p>  | <p>Procurement Fundamentals, DPS Toolkit</p>   |
| <p>200.318 (d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.</p>   | <p>Procurement Fundamentals, DPS Toolkit, Buying Plan</p>  |
| <p>200.318 (e) To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.</p>   | <p>MCC §§ 2-92-600 and 2-92-649</p>  |
| <p>200.318 (f) The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.</p>  | <p>User department responsibility to identify needs and potential sources that will meet those needs at the best value</p> |
| <p>200.318 (g) The non-Federal entity is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.</p> <p>200.318 (h) The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.</p> | <p>User department responsibility to craft specifications that meet their needs at the best value</p>                      |

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| <p>200.320 Methods Of Procurement To Be Followed<br/>The non-Federal entity must use one of the following methods of procurement.</p>  |  |
| <p>(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,000 (or \$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.</p>  | <p>Direct voucher policy</p>                               |
| <p>(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.</p>   | <p>MCC § 2-92-642</p>                                      |
| <p>(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section below apply.</p> <p>(1) In order for sealed bidding to be feasible, the following conditions should be present:</p> <ul style="list-style-type: none"> <li>(i) A complete, adequate, and realistic specification or purchase description is available;</li> <li>(ii) Two or more responsible bidders are willing and able to compete effectively for the business; and</li> </ul> | <p>MCC Chapter 2-92, Illinois Municipal Purchasing Act</p> |

(iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

(i) The invitation for bids will be publicly advertised and bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids;

(ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

(iii) All bids will be publicly opened at the time and place prescribed in the invitation for bids;

(iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and



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| <p>(v) Any or all bids may be rejected if there is a sound documented reason.</p> <p>(d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:</p> <p>1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;</p> <p>(2) Proposals must be solicited from an adequate number of qualified sources;</p> <p>(3) The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients;</p> <p>(4) Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and</p> | <p>MCC Chapter 2-92, Illinois Municipal Purchasing Act</p> |
| <p>(5) The non-Federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional</p>  | <p>MCC Chapter 2-92, Illinois Municipal Purchasing Act</p> |

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| <p>services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.</p> <p>(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:</p> <p>(1) The item is available only from a single source;</p> <p>(2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;</p> <p>(3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or</p> <p>(4) After solicitation of a number of sources, competition is determined inadequate.</p> | <p>MCC Chapter 2-92; Non-Competitive Review Board policy and procedures</p> |
| <p>200.321 Contracting With Small And Minority Businesses, Women's Business Enterprises, And Labor Surplus Area Firms</p>   | <p>MCC Chapter 2-92 Articles IV and VI; 49 CFR Part 26</p>                  |

(a) The non-Federal entity must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

(b) Affirmative steps must include:

(1) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;

(2) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;

(3) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;

(4) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;

(5) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and

(6) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) above.

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| <p>200.324 Federal Awarding Agency Or Pass-Through Entity Review</p> <p>(a) The non-Federal entity must make available, upon request of the Federal awarding agency or pass-through entity, technical specifications on proposed procurements where the Federal awarding agency or pass-through entity believes such review is needed to ensure that the item or service specified is the one being proposed for acquisition. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the non-Federal entity desires to have the review accomplished after a solicitation has been developed, the Federal awarding agency or pass-through entity may still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.</p> <p>(b) The non-Federal entity must make available upon request, for the Federal awarding agency or pass-through entity pre-procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when:</p> <p>(1) The non-Federal entity's procurement procedures or operation fails to comply with the procurement standards in this Part;</p> <p>(2) The procurement is expected to exceed the Simplified Acquisition Threshold and is to be awarded without competition or only one bid or offer is received in response to a solicitation;</p> <p>(3) The procurement, which is expected to exceed the Simplified Acquisition Threshold, specifies a "brand name" product;</p> <p>(4) The proposed contract is more than the Simplified Acquisition Threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or</p> <p>(5) A proposed contract modification changes the scope of a contract or increases the contract amount by more than the Simplified Acquisition Threshold.</p> <p>(c) The non-Federal entity is exempt from the pre-procurement review in paragraph (b) of this section if the Federal awarding agency or pass-through</p> | <p>IDOT, FTA, and/or FAA concurrence/review</p> |
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entity determines that its procurement systems comply with the standards of this Part.

(1) The non-Federal entity may request that its procurement system be reviewed by the Federal awarding agency or pass-through entity to determine whether its system meets these standards in order for its system to be certified. Generally, these reviews must occur where there is continuous high-dollar funding, and third party contracts are awarded on a regular basis;

(2) The non-Federal entity may self-certify its procurement system. Such self-certification must not limit the Federal awarding agency's right to survey the system. Under a self-certification procedure, the Federal awarding agency may rely on written assurances from the non-Federal entity that it is complying with these standards. The non-Federal entity must cite specific policies, procedures, regulations, or standards as being in compliance with these requirements and have its system available for review.

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| <p>200.323 Contract Cost And Price</p> <p>(a) The non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals.</p> <p>(b) The non-Federal entity must negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.</p> <p>(c) Costs or prices based on estimated costs for contracts under the Federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the non-Federal entity under Subpart E - Cost Principles. The non-Federal entity may reference its own cost principles that comply with the Federal cost principles.</p> | <p>Funds must be appropriated before contract award; engineer's and other SME estimates are also required at the user department level</p> |
| <p>(d) The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.</p>  | <p>Not applicable</p>  |
| <p>200.318 (i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.</p>  | <p>All records are maintained pursuant to the Local Records Act</p>  |

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| <p>200.326 Contract Provisions<br/> The non-Federal entity's contracts must contain the applicable provisions described in Appendix II Contract Provisions for non-Federal Entity Contracts Under Federal Awards.</p>   | <p>City of Chicago contracts are available to view online</p> |
| <p>200.325 Bonding Requirements<br/> For construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold, the Federal awarding agency or pass-through entity may accept the bonding policy and requirements of the non-Federal entity provided that the Federal awarding agency or pass-through entity has made a determination that the Federal interest is adequately protected. If such a determination has not been made, the minimum requirements must be as follows:</p> <p>(a) A bid guarantee from each bidder equivalent to five percent of the bid price. The "bid guarantee" must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.</p> <p>(b) A performance bond on the part of the contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.</p> <p>(c) A payment bond on the part of the contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.</p> | <p>All are required as applicable</p>                         |

