Procurement in Practice

October 28, 2026 | 2:00 PM

MTAP Summer Compliance Series

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DEPARTMENT OF BUDGET AND MANAGEMENT

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Before We Begin

Session Details

- Live Questions: Use the Q&A box at any time
- Chat: Share your answers to discussion prompts
- Polls: Respond when prompted

Resources

- Slides and Recording will be shared after the session
- MTAP website: dbm.maryland.gov/mtap
- Questions after today: MTAP Question Portal

Agenda

1. Procurement 101: Procurement Foundations Under Uniform Guidance
2. Procurement Methods and When to Use Them
3. Contract Types and Core Provisions
4. Building an Audit-Ready Procurement File

Opening Poll: Do you have prior experience in navigating Federal procurement?

Respond using the poll panel now. There are no wrong answers!

A. Yes! I'm a pro and just here to make sure you know what you're talking about.

B. Some experience – I am familiar with many procurement procedures but still need support.

C. Minimal experience – some parts seem familiar to me, but the rest is confusing.

D. No experience – that's why I am here!

PART 1: Procurement 101

Procurement Foundations Under Uniform Guidance

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What Is Procurement?

Definition

Procurement is the standardized process of acquiring goods or services under a federal award, including the requirement to maintain and use documented procedures for procurement transactions (2. C.F.R. §200.318).

Purposes of Procurement

- **Ensures competition** by promoting fairness and preventing favoritism or bias.
- **Demonstrates transparency** by creating a clear, documented trail showing the decision process for every step.
- **Safeguards federal dollars** by ensuring that spending aligns with Uniform Guidance, reducing potential fraud, and protecting the soliciting party during an audit.
- **Achieves cost effectiveness** by using checks and balances to ensure price reasonableness and provide the best use of public funds.

Why Does it Matter?

Abiding by procurement standards can prevent costly corrective actions!

Penalty	Impact
Withholding Payments*	Cash flow and possible project disruption until corrective action.
Cost Disallowance*	Municipality must cover disallowed costs.
Award Suspension or Termination*	Loss of funding for a project or program.
Suspension or Debarment/ Withholding Future Awards*	Ineligibility for future federal funds.
Specific Conditions Imposed**	Municipality may face heightened oversight or restrictions.

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*See 2 C.F.R. §200.339(a-e)
** See 2 §C.F.R. 200.208

Procurement Thresholds

MPT

Micro-purchase Threshold

The amount at or below which your town may buy without obtaining competitive quotes, as long as the price is reasonable and you document why. Your town may set its own MPT within federal limits (see Slide 12). Current federal thresholds for MPT are $10,000 for procurements before Oct. 1, 2025, and $15,000 on or after that date. For SLFRF, apply $10,000.

SAT

Simplified Acquisition Threshold

The amount above which formal, publicly noticed procurement is required. $250,000 before Oct. 1, 2025, and $350,000 on or after. For SLFRF, apply $250,000.

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*Municipalities may have their own MPT so long as they follow 2. C.F.R §200.320(a)(1)(iv)

Procurement Thresholds and Effective Dates

Before October 1, 2025	On or after October 1, 2025
Micro Purchase: $10,000 Simplified Acquisition: $250,000	Micro Purchase: $15,000 Simplified Acquisition: $350,000

Important:

- Since ARPA SLFRF funds were awarded prior to October 1, 2024, they abide by the first threshold of $10,000 for the MPT and $250,000 for the SAT. See SLFRF FAQ 13.3.
- It is important to categorize supporting documentation accordingly. Look for the Purchase Order (PO) dates and dollar thresholds and make sure they align with effective dates.

How Procurement Requirements Differ Under ARPA SLFRF

Revenue Loss	Build America, Buy America	Davis Bacon Act
For projects using Expenditure Category 6.1 (Revenue Loss), federal procurement standards under 2 C.F.R. §200.317-327 *do not apply* except for: ○ Suspension and debarment checks. (2 C.F.R. §200.214 and 2 C.F.R Part 180) ○ Local procurement policy adherence and; ○ Cost reasonableness and free from conflicts of interest (2 C.F.R. §200.404)	Projects funded fully by ARPA SLFRF allocations are not subject to Build America, Buy America Act (BABAA) requirements. ○ Exceptions apply for certain Surface Transportation projects and; ○ For infrastructure projects where SLFRF funds are used in conjunction with funds from other federal programs that require compliance with BABAA.	Projects fully funded by ARPA SLFRF allocations are not subject to Davis Bacon requirements. ○ Maryland local prevailing wage laws are separate requirements and may still apply. Check with your attorney.

Adjusting Financial Thresholds



Under 2 C.F.R. §200.320(a)(iii), a recipient or subrecipient may increase their Micro-purchase threshold higher than established thresholds based on internal controls, an evaluation of risk, and documented procurement procedures, so long as the thresholds are not prohibited.



A recipient may increase the MPT up to $50,000 if they provide annual self-certification documents that justify the threshold increase (2 C.F.R. §200.320(a)(iv) or;



A recipient may increase the MPT beyond $50,000 if they submit a request to the awarding agency that includes the requirements in paragraph (a)(1)(iv), and provide annual documentation (2 C.F.R. §200.320(a)(v).

- According to ARPA SLFRF FAQ 13.3, NEUs must adhere to the competitive bidding thresholds set forth in 2 C.F.R. §200.320 for the relevant procurement methods, unless they already have a governing procurement policy in place.
    - A local procurement policy does not replace federal thresholds.

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Case Studies: Financial Thresholds

The town of Pine Grove, Maryland adopted a procurement policy in 2018, This policy was compliant with all procurement standards under 2 C.F.R., but had made their Micro-purchase threshold more restrictive than federal standards. The town used their local standards for a procurement process in 2021.

Result: Procurement was compliant, since the town's policy had been implemented before procurement began.

The town of Aspen Ridge, Maryland had no procurement policy in place when it initiated a $75,000 procurement contract, using informal, non-competitive methods that are typically allowed under Micro-purchase transactions. After procurement was completed, the town attempted to retroactively adopt a local policy with higher thresholds to justify their purchase.

Result: Costs were flagged as non-compliant and the town faced cost disallowance and required corrective action.

Quick Check-In Poll

A town obligated SLFRF funds in 2023 and performed procurement for the project in November 2025. Which thresholds should it apply?

A. The $10,000 MPT and $250,000 SAT, following Treasury FAQ 13.3 (released before October 2025)

B. The $15,000 MPT and $350,000 SAT, because the FAR amounts increased on October 1, 2025

C. Whichever is stricter: Treasury's $10K / $250,000 or the town's own limits

PART 2: Procurement Methods

Methods for compliant procurement and when to use them



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Procurement Methods

Micro-purchase

- Used for informal purchases that fall below this threshold. Minimal documentation required.

Sealed Bid

- Formal, competitive public bidding, generally used for projects that exceed the SAT. Bidding is typically submitted once and cannot be modified or negotiated, but varies based on opportunities.

Competitive Proposal

- Generally used for projects that exceed the SAT. Utilizes a Request for Proposal (RFP) process where bids are often negotiated and contract terms and scope are discussed before awards are made.

Sole Source

- A method of procurement where a contract is awarded to a single provider. Only allowed under specific, documented circumstances.

Important:

- Micro-purchase: For construction projects or any projects subject to Davis-Bacon*, the threshold is $2,000.

**Davis-Bacon Act requires payment of locally prevailing wages and fringe benefits to laborers and mechanics on construction contracts over $2,000, when required by the funding program's authorizing statute.*

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… and When to Use Them

Micro-purchase

- Use when the total cost is below the micro-purchase threshold and the price is reasonable and documented. Examples could include purchasing routine operational supplies, minor repair parts or simple services.,

Sealed Bid

- Use when project or need specifications are clear, price is the main factor, and public bids are appropriate. Examples could include using this method for larger construction projects that have more straightforward requirements.

Competitive Proposal

- Use when the evaluation of qualifications, experience, or technical approach is necessary. Use when conditions are not appropriate for a sealed bid, such as price not being the only factor, or scope is more open to negotiation and could evolve over the life of the contract.

Sole Source

- Used only when competition is not feasible. Allowable circumstances may include emergencies, inadequate responses, or need for unique services or materials that cannot easily be procured elsewhere.

Knowledge Check Poll

Which procurement methods would you use for a project with an estimated budget of $452,000 where specifications are clear and price is the primary factor?

A. Micro-purchase

B. Sealed Bid

C. Competitive Proposal

D. Sole Source

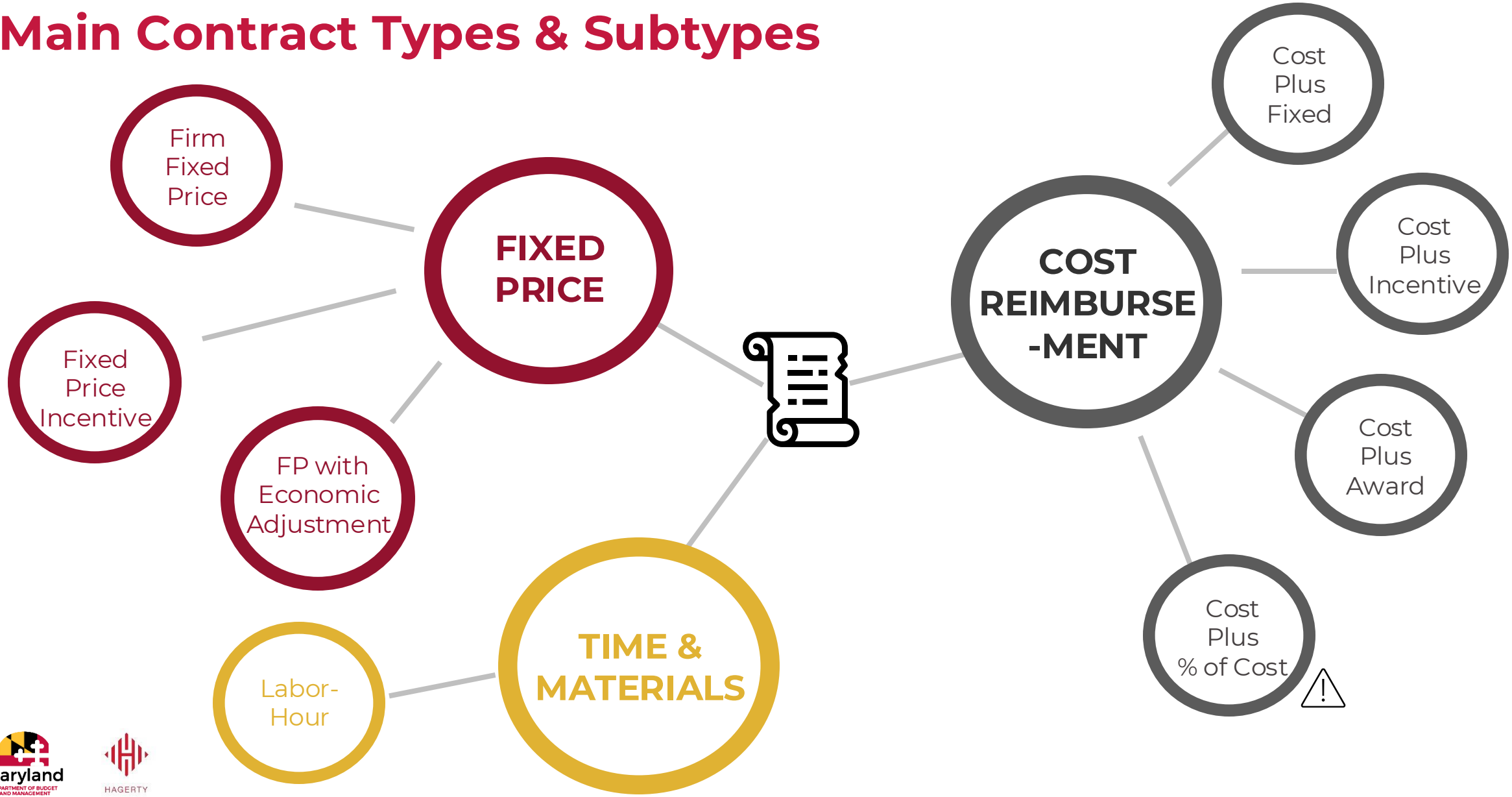
Part 3: Contract Types and Core Provisions

Contract types, subcategories, and core provisions

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Main Contract Types & Subtypes



Main Contract Types and Subtypes, Continued

Below are the subtypes of main contract types under Procurement. Please refer to the **Contract Types Quick Reference** for more information.

Fixed Price

- A **Firm Fixed Price** contract is not subject to any adjustment based on the contractor's cost experience.
- A **Fixed Price Incentive** contract provides for adjustments based on the original and final costs.
- A **Fixed Price with Economic Adjustment** provides for adjustments based on economic movement.

Time and Materials

- A **T&M** contract pays for labor hours and the cost of materials. A T&M contract is permissible 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.
- In a **Labor-Hour** the contractor does not provide materials.

Main Contract Types and Subtypes, Continued

Below are the subtypes of main contract types under Procurement. Please refer to the **Contract Types Quick Reference** for more information.

Cost Reimbursement

- A **Cost Plus Fixed Fee** contract provides for payment to the contractor of a negotiated fee that is fixed in the original contract.
- A **Cost Plus Award** contract provides a fee consisting of an original base amount plus an additional award amount, determined by the contractor's performance.
- A **Cost Plus Incentive** contract provides for an initially-negotiated fee to be adjusted later, based on the relationship between initial and final costs.

Important!

Cost Plus Percentage of Cost and Percentage of Construction Cost are **PROHIBITED** under 2 C.F.R. §200.324(c).

Contract Provisions and Why They Matter

Federal awards require specific contract clauses to ensure vendors meet baseline standards. These provisions matter because they:

- **Ensure federal compliance** through required clauses that protect your municipality and confirm that contracts meet Uniform Guidance standards.
- **Reduce audit risk** by ensuring no provisions are missed. Missing or inadequate provisions are common audit findings for federal awards.
- **Clarify vendor responsibilities** by establishing clear expectations for performance, labor standards and legal obligations.
- **Support transparency** through standardized clauses to create consistent, defensible contracts.



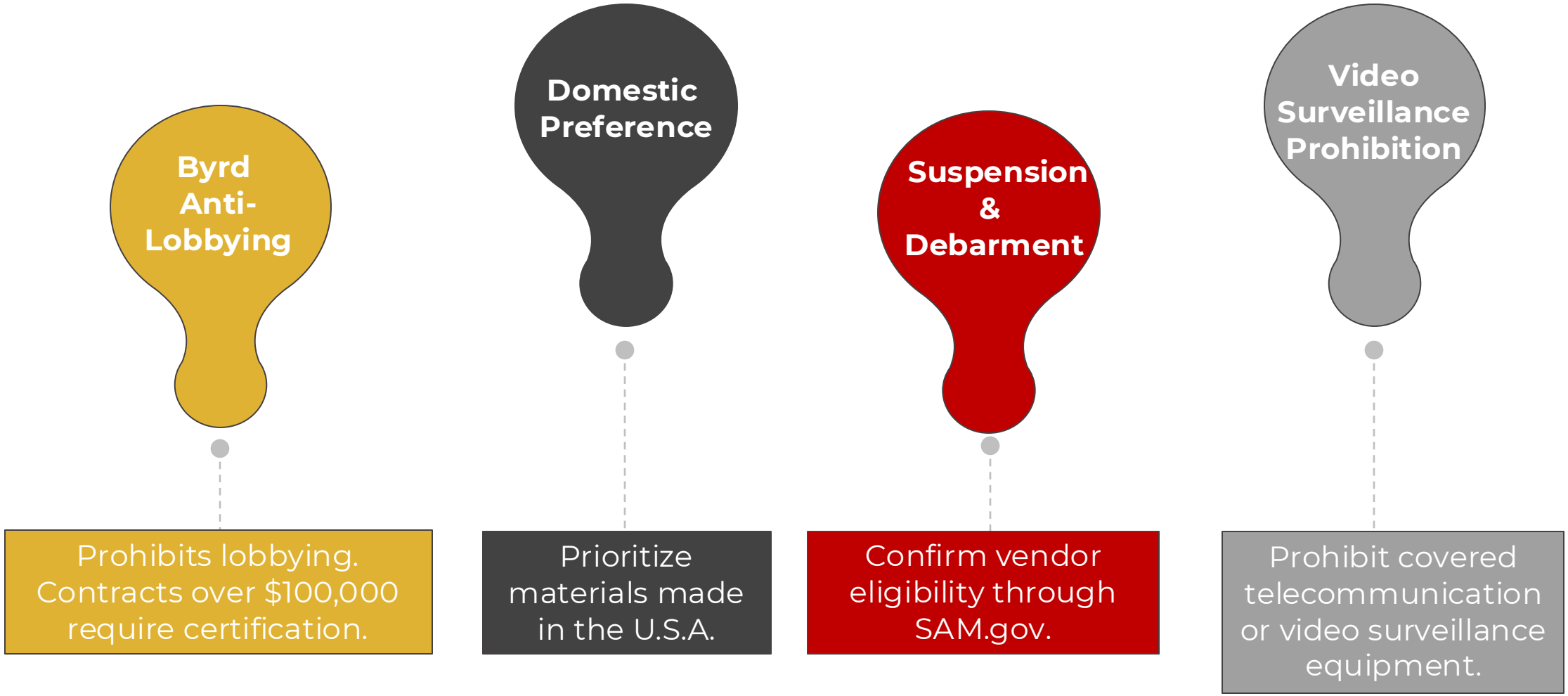
Important Note

Contracts *must* include all applicable Appendix II provisions based on the procurement method, contract type, and dollar threshold, even if our municipality uses your own standard templates. Use **MTAP's Appendix II Checklist** to confirm nothing is missed!

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Core Contract Provisions (Required by Appendix II)



These are four of the 12 provisions in Appendix II (A-L). Which ones apply depends on contract type and dollar amount. Use the Appendix II Checklist for the full list.

PART 4: Building an Audit-Ready Procurement File

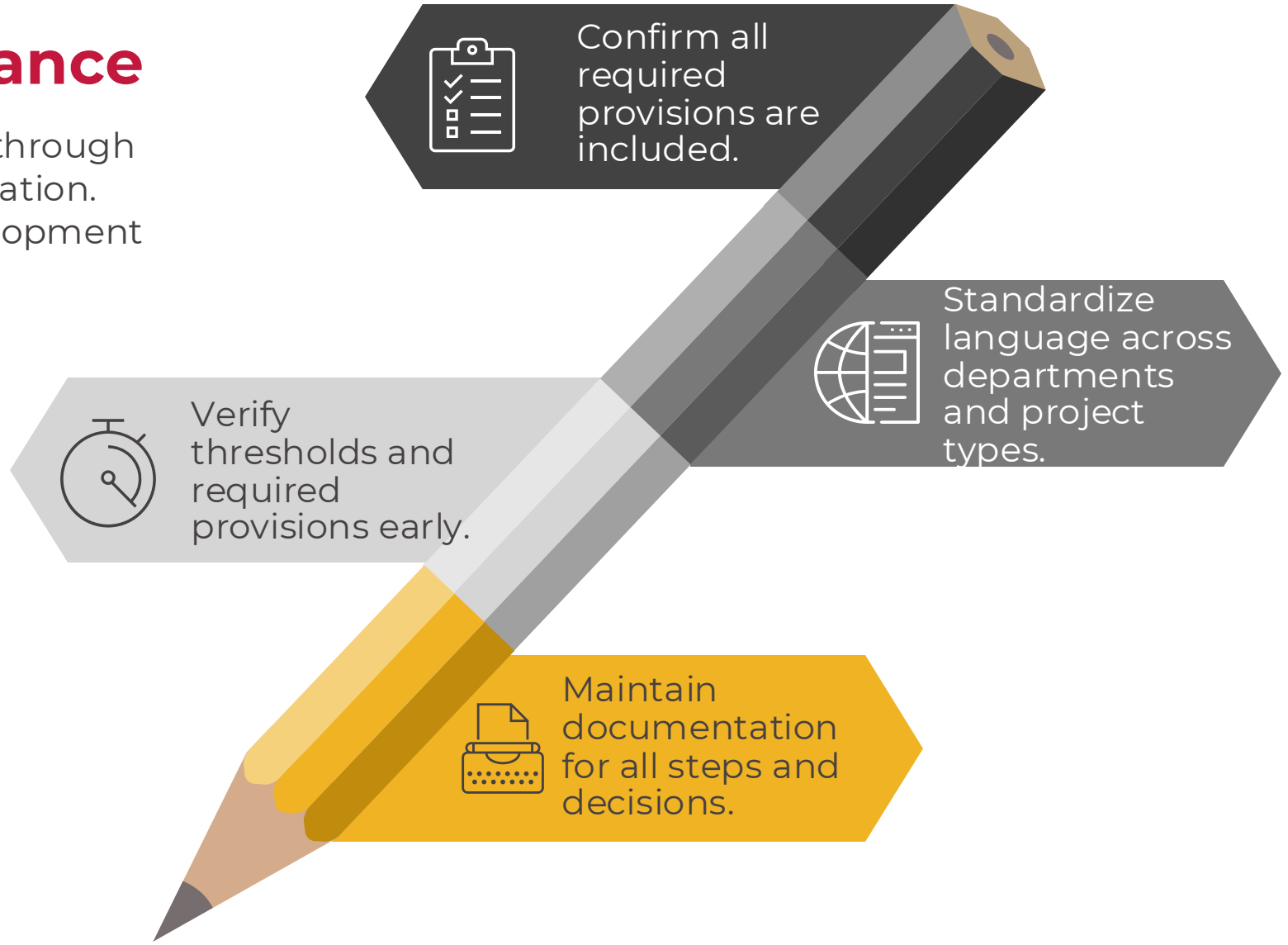
Your responsibilities throughout Procurement

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How to Ensure Compliance

Compliance with Appendix II is achieved through consistent processes and clear documentation. Municipalities should build contract development workflows that automatically incorporate required federal clauses.



MTAP Resource

MTAP's **Appendix II Checklist**, **Contract Types Quick Reference** and **Contract Evaluations Packet** may be used as supporting resources for municipalities.

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What makes a Procurement File "Audit Ready"?

An audit-ready procurement file clearly demonstrates compliance with Uniform Guidance and documents every decision made throughout the procurement process.

Core Elements of an Audit-Ready File

- **Method Selection:** Documentation showing how and why the procurement method was chosen.
- **Competition Documentation:** A file of documents including quotes, bids, RFPs, scoring procedures and outcomes, vendor verification, vendor communications, or sole source justification.
- **Price Reasonableness:** Evidence that the price is fair and aligned with market rates.
- **Contract Provisions:** Confirmation that all required Appendix II or other prevailing federal rules and clauses are followed.
- **Contract Execution:** Signed, dated contracts and amendments, plus documentation of performance oversight and communications.



Important:
Auditors look for consistency, clarity and evidence. If a step isn't documented, auditors will assume it didn't happen.

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Internal Controls – Pre-Procurement Preparedness

Internal controls are the key to a more organized, compliant, and audit-ready procurement file. Additional information and best practices can be found in Audit-Ready, Audit-Worthy, Document, Document, Document!, and the Internal Controls General Guidance.

Quick Internal Controls Check

- Establish formal policies, procedures, and standards of conduct for the procurement process.
- Have more than one place to keep your procurement files – as a best practice, have a few digital and physical copies on hand. Don't rely on physical copies alone!
- Make sure more than one person has full access to the files, and in the event of staff turnover, be sure to grant access the appropriate new contacts.
- Set clear expectations for all staff, including separation of duties and delegations of authority.
- Enforce language consistency across all documents – a mix of formal and informal writing may cause confusion in interpretation.

How MTAP's Procurement Toolkit Supports These Methods

01

General Procurement Checklist & Worksheet

This checklist and companion worksheet help municipalities determine the required steps for procurement in accordance with 2 C.F.R. §200.

02

Contract Evaluation Packet

This packet supports vendor evaluation, scoring and internal controls surrounding solicitations in accordance with 2 C.F.R. §200.

03

Appendix II Checklist

This checklist helps municipalities ensure that required federal provisions are included regardless of procurement method.

04

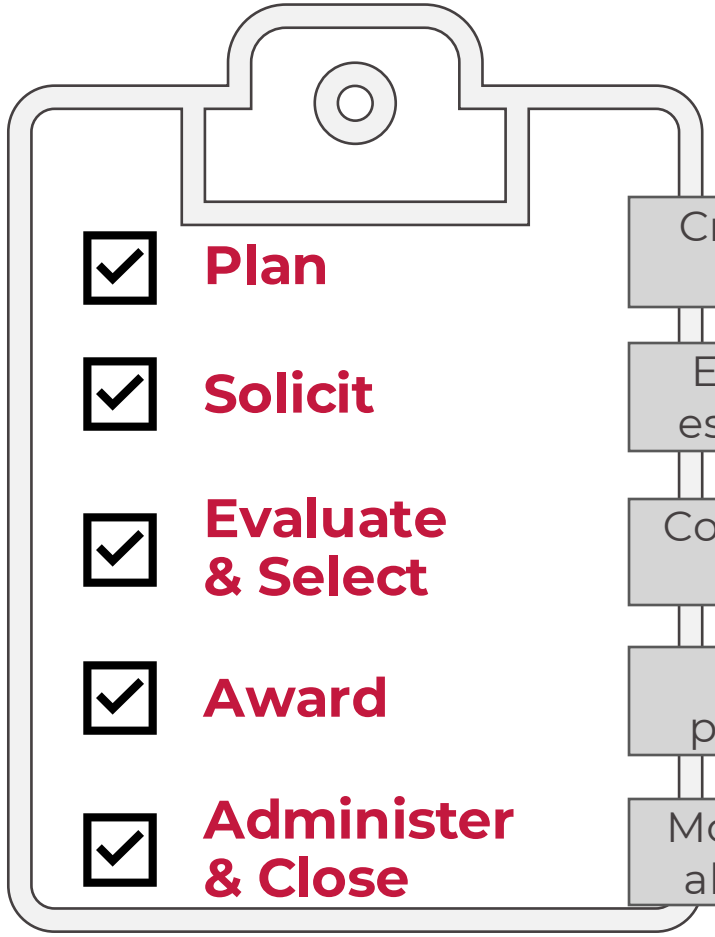
Sole Source Justification Form

The Sole Source Justification Form and companion template provide documentation for situations where competition isn't feasible.

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Core Compliance Checklist



Plan	Create a scope of work, select correct procurement method, prepare to properly document and keep on file for audits.
Solicit	Ensure full and open competition, verify vendor eligibility via SAM.gov, establish a clear deadline and take affirmative actions when applicable.
Evaluate & Select	Collect all quotes in writing and compare and evaluate in a documented form. Document any conflicts of interest, if applicable.
Award	Conduct cost or price analysis, if applicable, use a written contract, prohibit cost-plus-percentage and include all required federal clauses.
Administer & Close	Monitor contract performance and maintain ongoing documentation of all activities to ensure your file is complete, organized, and audit-ready.

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Preventing Conflicts of Interest

A conflict of interest occurs when an individual involved in procurement has any affiliation or interests with competing parties that may improperly influence decision making.

Conflicts of interest may be:

Individual: Any individual involved in the procurement process has affiliations with any of the parties that may impair impartiality (2 C.F.R. §200.318(c)(1).

Organizational: Any parent, affiliate or subsidiary organization involvement that may impair impartiality (2 C.F.R. §200.318(c)(2).

Establish clear policies or a code of conduct that includes:



Phase 1: Soliciting

The first step of building an audit-ready procurement file is starting before the actual solicitation begins – remember, if all steps are not carefully documented, auditors will assume the steps didn't happen!

Plan

- Create a documented **Scope of Work**, containing an outline of specific tasks, deliverables, timelines and other key components required to complete the project.
- As a best practice, obtain a **written budget approval** from your finance department for the solicitation.

Solicit and Evaluate

- **Proof of a public, fair and open competition.**
- **Verify vendor eligibility** on SAM.gov.
- **Collect and save all quotes** from vendors, including declined or nonresponses.
- **Compare** and **score** all quotes, providing written proof of selections and non-selections.
- Document any **conflicts of interest** with selected vendors, if applicable.

Phase 2: Award

The second phase of audit-ready documentation should encompass all activity directly before and during the award process:

Select

- Conduct a cost or price analysis, **documenting cost reasonableness**, as applicable.
- If negotiations are applicable to your contract type, document all **negotiation documents** and **correspondence**.

Award

- **Create a written contract**, including all applicable 2 C.F.R. §200 and Appendix II clauses.
- **Keep a file of all contract adjustments**, addendums or other changes, if applicable.
- Continue to keep a **record of all vendor correspondence** throughout the award process.

Phase 3: Administer and Close

The final phase of audit-ready documentation should keep track of all documentation after all parties successfully enter into a contract and begin the agreed upon scope of work:

Administration

- **Process payments** to vendors.
- Continue to maintain a file of **all correspondence** from vendors.
- Create and maintain **a file documenting all project activities**, including breaches of contract(s), project delays, changes in scope, etc.

Close

- Create an **itemized file with vendor invoices** matched against purchase orders and receiving documents.
- Include any other **proof of payment documents**, including canceled checks, transfer receipts or ledger entries.
- Retain any **closeout certification documents** required by the awarding agency, if any.

Building Your Procurement Audit Binder

Organize by Project

As a best practice, organize your procurement file by project to avoid confusion. Create a main project procurement folder and a sub folder for each contractor or vendor per project, if applicable.

Project Folder

- Include all project-related documentation including pre-solicitation and solicitation documents, a scope of work, a budget approval, a municipality procurement policy, etc.

Contract Sub-Folder

- Include all contract-related documentation under the project for each vendor, beginning from the moment negotiations begin, or a contract has been issued.

Practical Tips

- At least two staff members should have access to the complete file.
- Save records in open, machine-readable formats (PDF preferred).
- Label folders consistently: Project Name — Contract # — Vendor — Date range.
- Keep multiple copies of all files – both physical and digital.

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Final Knowledge Check:

In a procurement subject to the Uniform Guidance, which item is always required in an audit-ready file, regardless of method or dollar amount?

A. A sealed bid advertisement

B. A sole source justification

C. Three competitive quotes

D. Price reasonableness documentation

MTAP Resources for Procurement (Coming Soon!)

- **Appendix II Checklist** – Threshold-based guidance for all required federal contract provisions under 2 C.F.R. §200 and its corresponding Appendix II.
- **Contract Evaluation Packet** – Templates and worksheets for contractor selection and evaluation procedures.
- **Contract Types Quick Reference** – Reference for the three main contract categories and their subtypes.
- **General Procurement Checklist** – A checklist of core procurement steps with corresponding policy citations.
- **Procurement Checklist Worksheet** – Supplements the General Procurement Checklist and can help municipalities monitor and assign individual tasks that make up a compliant procurement process.
- **Procurement Policy Minimum Requirements Guide** – A comprehensive map outlining steps and considerations when drafting your own local procurement policy.
- **Sole Source Justification Form –** Template and worksheet for any Sole Source Justification needs.

All resources available at: dbm.maryland.gov/mtap

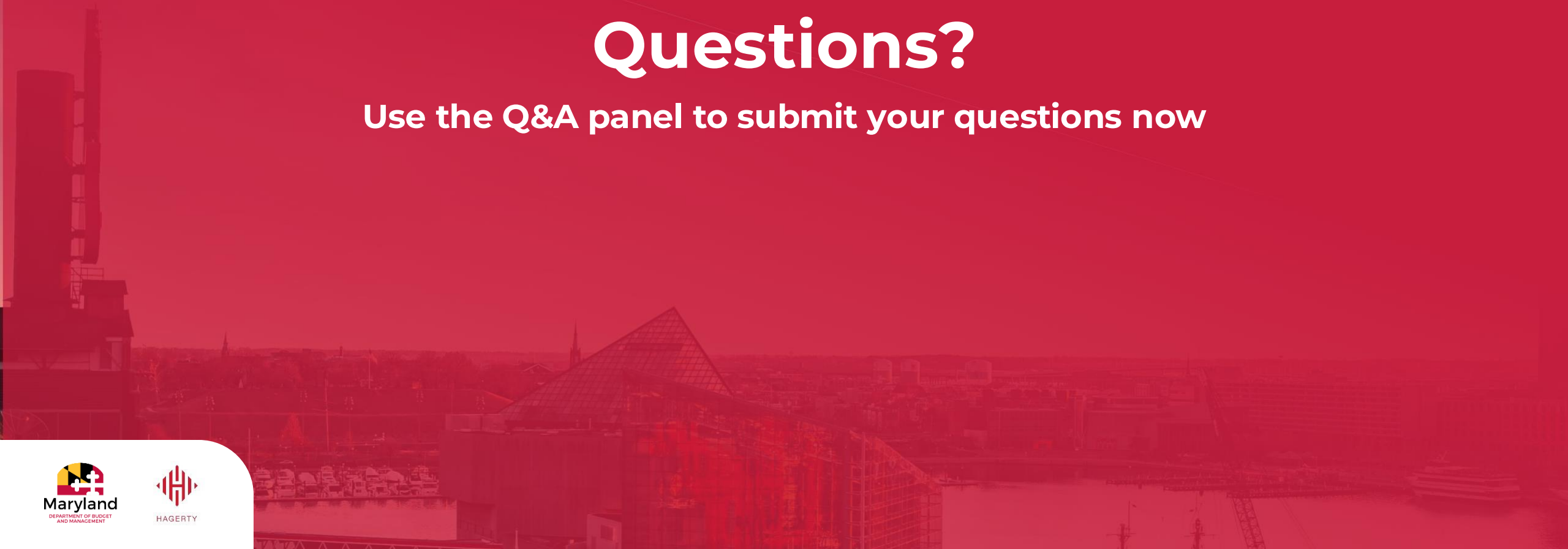
Questions after today? Submit through the MTAP Question Portal

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Questions?

Use the Q&A panel to submit your questions now



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Thank You!



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