

Federal Procurement Thresholds: Should an Entity Implement a Lower Threshold?

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Federal procurement policies require a maximum threshold of \$250,000 of expenditures paid to a vendor for a sealed bid or proposal to be necessary (this is not applicable for Arizona school districts as they are required to follow more stringent School District Procurement Rules). Sealed bids are used by entities where price is the only factor associated with determining which vendor should be awarded a contract, whereas proposals are used when there are factors other than price (but may also include price as a factor) set by the entity to determine which vendor is awarded a contract. For procurement procedures for vendors with expenditures less than the threshold, an organization must acquire at least three quotes from different potential vendors before vendor selection. For vendor quotes, price is not required to be the only determining factor in choosing a vendor, but if other factors are selected, they must be documented with the decision. Is it therefore better for an entity to keep this maximum threshold of expenditures paid to a vendor for procurement purposes, or are there benefits associated with lowering the threshold?

Benefits of the Maximum Threshold

There are many benefits associated with keeping the maximum \$250,000 threshold for sealed bids and proposals. If the threshold were to be lowered, then there could be additional requirements associated with completing other sealed bids or proposals. Within a small business office, keeping the threshold would maintain the workload of an individual completing procurement, as lowering the threshold would increase the potential for more sealed bids and proposals.

Another benefit is keeping the quote range larger. Federal guidelines require that at least three quotes are acquired by entities selecting a vendor. An entity could instead create

policies that require the acquisition of four or five quotes per purchase to avoid more sealed bids and proposals while also increasing controls for procurement. However, it is also possible that, if the organization already has very strong controls in place for procurement, lowering the threshold would not lower the risk of errors.

Benefits of Lowering the Threshold

Numerous worthwhile advantages of lowering the threshold from the maximum to a lower value also exist. One such advantage is more clarity about decisions being made: there are more policies and guidelines for sealed bids and proposals than for quotes. Furthermore, if an entity has a higher control risk for procurement, having more sealed bids and proposals could create more controls due to the guidelines associated with these types of procurement.

Consistency in completing sealed bids and proposals is another advantage of an organization lowering the threshold. If an entity does not have federal expenditures to the threshold amount with one vendor on a regular basis, when a procurement is required for a sealed bid or proposal, the organization could have more difficulty than an entity that completes them on a more regular basis. Lowering the threshold could therefore give business office members that handle procurement more practice and more comfort with the procedures needed to be completed for sealed bids and proposals, increasing accuracy and efficiency.

Decisions

While there are benefits for using the maximum threshold for sealed bids and proposals and for lowering the threshold at an entity level, the decision is ultimately up to each organization to determine what works best for its situation. The main points to consider in making this decision are the current control risks for procurement at the organization, the frequency of sealed bids and proposals that are being completed, and what a change in workload would mean for members of the business office. If adequate attention is given to this determination, entities could experience significant changes – for the better – in their vendor selection process. Procurement rules are complex and sometimes difficult to understand. When in doubt, consider [contacting HeinfeldMeech](#) to further discuss what is best for you and your organization.

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