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United States
Department of
Agriculture

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Food and
Nutrition
Service

SUBJECT: Changes to the Micro-Purchase and Simplified Acquisitions Threshold

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TO: Grants Management and Administrative Services Directors, Program Directors
All Regions

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On December 12, 2017, President Trump signed into legislation, statutory changes to the National Defense Authorization Acts (NDAA) that raised the threshold for micro-purchases under Federal financial assistance awards to \$10,000, and the threshold for simplified acquisitions to \$250,000 for all Federal agencies that award grants and cooperative agreements. The Office of Management and Budget (OMB) intends to revise both the Federal Acquisition Regulations (FAR) and the Uniform Guidance, to conform to the changes in the law. However, in order to grant maximum flexibility, effective June 20, 2018, OMB is granting an exception allowing non-Federal entities to use the new thresholds in advance of changes being made to the FAR at 48 CFR Subpart 2.1 and the Uniform Guidance. Thus, for our FNS programs, unless precluded by regulatory requirements, the changes to these thresholds became effective on June 20, 2018.

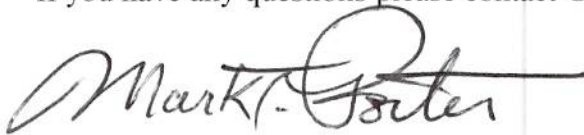
Please note, Section 217(b) of the NDAA increased the micro-purchase threshold to \$10,000 effective in Fiscal Year 2017 but only for institutes of higher education and their related or affiliated nonprofits, nonprofit research organizations, or independent institutes (41 U.S. C. Sec.1908). This increase became effective December 23, 2016 and available for use by these entities for awards made by Agencies that documented the increased threshold via policy or in award terms and conditions. Further, for Fiscal Year 2017 an interim uniform process was established by which *these* recipients of federal funds can request and Federal agencies can approve requests to apply a higher micro-purchase threshold. Specifically, thresholds above \$10,000 may be approved by the head of the relevant executive agency. For purposes of this approval, the grantee's cognizant Federal agency for indirect cost rates will be the relevant executive agency as defined in 2 C.F.R. § 200.19 (Cognizant agency for indirect costs). Should an institute of higher education, or its related affiliated nonprofits, nonprofit research organizations or independent institutions, request a higher micro-purchase threshold they must send their request to their cognizant agency responsible for their indirect cost rate agreement approval. These entities should contact their cognizant agency prior to sending the request to determine who the appropriate point of contact is for the requests. To receive a higher threshold, the grantee must either have "clean single audit findings" (*i.e.*, in accordance with 2 C.F.R. § 200.520 - Criteria for a low-risk auditee), have an acceptable internal institutional risk assessment, or the higher threshold must be consistent with State law for public institutions.

A micro-purchase is used to procure goods and services that, due to their relatively low value, do not require the government to abide by many of its ordinary competitive procedures. Because the contract is, theoretically, such a low amount, the non-Federal entity can select the goods or services they identify as necessary, reasonable, and allocable, to satisfy the procurement, so long as the price is reasonable and purchases do not exceed the micro-purchase threshold and to the extent practicable are equitably distributed among qualified suppliers.

Simplified Acquisitions, i.e., small purchase procedures, are those simple and informal procurement methods used to secure services, supplies, or other property that fall below the established threshold. While relatively simple and informal, small purchase procedures must still be conducted in a competitive manner.

In closing, we would like to note that most Food and Nutrition Services program regulations link the micro-purchase and simplified acquisition threshold to language in 2 CFR 200, Uniform Grants Guidance, and because of the exception granted by OMB, are applicable immediately. Thus, unless a program regulation purposely sets a lower threshold that does not link to the FAR and Uniform Guidance and thereby adjust accordingly, the new raised thresholds should be applied in all FNS programs. If a program's regulation currently specifies a lower threshold that does not link to the FAR and Uniform Guidance, a determination will need to be made at the program level whether policy needs to be issued to raise the threshold until such time that a regulatory change can be made to increase the thresholds. Additionally, non-Federal entities that have legislated lower State or local thresholds should adhere to them accordingly.

If you have any questions please contact Gary Tremblay at gary.tremblay@fns.usda.gov.

A handwritten signature in black ink that reads "Mark Porter". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Mark Porter
Director
Grants and Fiscal Policy Division