SEC. ___. MICRO-PURCHASE THRESHOLD APPLICABLE TO GOVERNMENT PROCUREMENTS.

(a) INCREASE IN THRESHOLD.—Section 1902(a)(1) of title 41, United States Code, is amended—

(1) by striking "sections 2338 and 2339" and inserting "section 2339"; and

(2) by striking "$3,000" and inserting "$10,000".

(b) CONFORMING AND CLERICAL AMENDMENTS.—(1) Section 2338 of title 10, United States Code, is repealed.

(2) The table of sections at the beginning of chapter 137 of such title is amended by striking the item relating to section 2338.

(c) CONVENIENCE CHECKS.—A convenience check may not be used for an amount in excess of one half of the micro-purchase threshold under section 1902(a) of title 41, United States Code, or a lower amount set by the head of the agency. Use of convenience checks shall comply with controls prescribed in Office of Management and Budget Circular A-123, Appendix B.

[PLEASE NOTE: THE "CHANGES TO EXISTING LAW" SECTION BELOW SETS OUT IN LINE-IN LINE OUT FORMAT HOW THE LEGISLATIVE TEXT ABOVE WOULD AMEND EXISTING LAW.]

Section-by-Section Analysis

This proposal is designed to raise and standardize the government-wide micro-purchase threshold set forth in 41 U.S.C. 1902 so that Defense and civilian agencies can have equally greater access to a streamlined cost-effective and administratively efficient method for purchasing common products and services in small dollar amounts. In section 821 of the National Defense Authorization Act (NDAA) for fiscal year (FY) 2017, Congress increased the micro-purchase threshold for the Department of Defense (DoD) to $5,000 through the creation of a new section 2338 of title 10. This proposal would increase the micro-purchase threshold in 41 U.S.C. 1902 from $5,000 to $10,000 for Defense agencies and from $3,500 to $10,000 for civilian agencies so that all agencies across the government would have the option to authorize personnel, as appropriate, to have higher limits on their Government purchase card, referred to hereafter as "purchase card". This increase would affect less than one percent of federal contract

spending, but could allow hundreds of thousands of transactions to be conducted more efficiently.

Purchase cards give agency end users an efficient tool to make simple purchases themselves and, at the same time, offer a number of additional benefits for both the agency and its vendors. In the two decades since the micro-purchase threshold (MPT) was established, purchase cards have reduced administrative transaction costs for government payment offices by lowering the number of budgetary/accounting entries that need to be processed in financial management systems, allowed agencies to earn rebates, and helped vendors receive timely payment without the burden of having to process government invoices. Equally important, by putting purchase cards into the hands of properly trained end users to make purchases directly, the burden of making micro-purchases has largely been lifted from the shoulders of contracting officers, allowing them to instead give greater attention to larger, more complex procurements, where their acquisition training and expertise can be put to better use and have greater impact.

In 2016, the MPT was adjusted for inflation from $3,000 to $3,500, pursuant to authority provided in 41 U.S.C. 1908. While these adjustments will help agencies to leverage the efficiencies of the purchase card for additional small dollar transactions, there are many needs between $3,500 and $10,000 that can be more efficiently acquired with a purchase card in the hands of a trained end user. Some of these routine needs did not exist in the 1990s and therefore were not envisioned when the MPT level was first established, such as those for digital services, including web applications, application program interfaces, simple cloud services, scalable web hosting services, case management, platforms to support on-line interactive dialogues, information technology (IT) systems monitoring, and tools to measure and improve digital customer experiences -- all of which can be purchased easily by program and IT technical experts through existing government-wide and multi-agency contracts that include pre-negotiated terms and conditions which are well suited for small dollar purchases. In recognition of the benefits of the purchase card program,. section 821 of the FY 2017 NDAA increased the micro-purchase threshold for DoD to $5,000 to enable easy and administratively efficient purchasing of small dollar items. The further increase to $10,000 for all agencies would help streamline the way agencies do business and meet mission critical requirements without delay. The Office of Management and Budget will continue to promote coupling use of purchase cards with smart buying practices, such as those that encourage purchases through existing vehicles that meet agency needs.

In the past 10 years, Federal agencies have deployed a number of systems and internal controls to reduce the risk of fraud, waste, abuse, and misuse associated with the purchase card. Examples of agency actions include implementation of government-wide metrics for Government charge card programs under the General Services Administration (GSA) SmartPay program to improve security including purchase card transactions. As part of Federal efforts, GSA SmartPay has made available data analytics and data mining tools provided by servicing banks and brands. The metrics identify potential areas of misuse or fraud for further investigation in categories of disputed charges; single merchant spending; use of data analytics tools; as well as a targeted group of questionable transactions.

If this proposal is enacted, individual purchase card limits would not be raised automatically. Instead, agencies would review existing limits and make adjustments based on

organizational need and the responsibilities of the end user. For instance, an agency may leave unchanged an office manager's current authorization level of $1,000 to make purchase card transactions for office supplies from the OS3 contract established under the Federal Strategic Sourcing Initiative if this limit remains sufficient in light of the organization's needs for office supplies. By contrast, the agency may raise the purchase card limits for technical personnel in the agency's digital strategy office for the reasons stated above, so that these users can make purchases directly, rather than burdening their contracting officer for a rapid decision and clearance to place an order. In situations where contracting officers continue making purchases for the agency under $10,000, they will still benefit by being able to take advantage of the efficiencies offered by the purchase card in conducting these transactions.

Finally, GSA will continue to ensure there is appropriate transparency of purchase card activity on USASpending.gov so information on use of the purchase card below the micro-purchase threshold is available to the public, consistent with agency security requirements.

Budget Implications: There would be no budgetary impact for civilian agencies as a result of this legislative change because the proposal only addresses the micro-purchase dollar threshold and would not increase the overall budget requirements of the agencies.

Changes to Existing Law: This proposal would amend title 41, United States Code, and title 10, United States Code, as follows:

TITLE 41, UNITED STATES CODE

§ 1902. Procedures applicable to purchases below micro-purchase threshold

(a) DEFINITION.—(1) Except as provided in section~~s 2338 and~~ 2339 of title 10 and paragraph (2) of this subsection, for purposes of this section, the micro-purchase threshold is ~~$3,000~~ $10,000.

(2) For purposes of this section, the micro-purchase threshold for procurement activities administered under sections 6303 through 6305 of title 31 by institutions of higher education (as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)), or related or affiliated nonprofit entities, or by nonprofit research organizations or independent research institutes is—

(A) $10,000; or

(B) such higher threshold as determined appropriate by the head of the relevant executive agency and consistent with clean audit findings under chapter 75 of title 31, internal institutional risk assessment, or State law.

(b) COMPLIANCE WITH CERTAIN REQUIREMENTS AND NONAPPLICABILITY OF CERTAIN AUTHORITY.—

(1) COMPLIANCE WITH CERTAIN REQUIREMENTS.—The head of each executive agency shall ensure that procuring activities of that agency, when awarding a contract with a price exceeding the micro-purchase threshold, comply with the requirements of

section 8(a) of the Small Business Act (15 U.S.C. 637(a)), section 2323 of title 10, and section 7102 of the Federal Acquisition Streamlining Act of 1994 (Public Law 103–355, 15 U.S.C. 644 note).

(2) NONAPPLICABILITY OF CERTAIN AUTHORITY.—The authority under part 13.106(a)(1) of the Federal Acquisition Regulation (48 C.F.R. 13.106(a)(1)), as in effect on November 18, 1993, to make purchases without securing competitive quotations does not apply to a purchase with a price exceeding the micro-purchase threshold.

(c) NONAPPLICABILITY OF CERTAIN PROVISIONS.—An executive agency purchase with an anticipated value of the micro-purchase threshold or less is not subject to section 15(j) of the Small Business Act (15 U.S.C. 644(j)) and chapter 83 of this title.

(d) PURCHASES WITHOUT COMPETITIVE QUOTATIONS.—A purchase with a price not greater than the micro-purchase threshold may be made without obtaining competitive quotations if an employee of an executive agency or a member of the armed forces, authorized to do so, determines that the price for the purchase is reasonable.

(e) EQUITABLE DISTRIBUTION.—Purchases with a price not greater than the micro-purchase threshold shall be distributed equitably among qualified suppliers.

(f) IMPLEMENTATION THROUGH FEDERAL ACQUISITION REGULATION.—This section shall be implemented through the Federal Acquisition Regulation.

TITLE 10, UNITED STATES CODE

~~§ 2338. Micro-purchase threshold~~

~~Notwithstanding subsection (a) of section 1902 of title 41, the micro-purchase threshold for the Department of Defense for purposes of such section is $5,000.~~