

* 3 Bids and a Buy

Informal Procurement

July 2017



Hello, Thank you for joining our session on 3 Bids and a Buy: the Informal Procurement method. We are going to spend our time together looking to the informal procurement method. This is the procurement method that many of the smaller schools in SD must follow to comply with the federal procurement rules.

*Quick Review

Purchasing Requirements: Federal, State, &
Local

2

Let's start off with a quick review of purchasing requirements.

- *Purchasing of goods & services
- *Use the most restrictive of federal, State, and local requirements
- *This process involves:
 - *Planning
 - *Writing Specifications
 - *Following Procurement Rules
 - *Awarding your Purchases
 - *Manage your Agreement/Relationship with the Selected Vendor

*What is Procurement?

Procurement is a fancy way of describing purchasing.

All purchases food, supplies, services, and so on that made with your food service dollars must follow the most restrictive (strict) of federal, state, and local requirements. The procurement process involves several steps that we will go through during this session.

Procurement rules apply to
all Schools and Agencies

*NSLP & SBP

*Special Milk Program

*Child & Adult Care Food
Program

*Summer Food Service
Program

*Fresh Fruit & Veg Program

***Everyone Must Follow**

4

Procurement rules apply to everyone. They apply to all Schools and Agencies operating the National School Lunch Program, or any other Child Nutrition Program.

Everyone that receives federal reimbursement from CANS must follow procurement rules.

Why are Procurement Rules Important?

To ensure that program benefits (and taxpayer dollars!):

Are received by eligible schools & children

Are used effectively & efficiently, with no waste or abuse



Why are there procurement rules?

Answer: Using federal taxpayer dollars requires you to use funds to maximize free and open competition to prevent waste or abuse of those dollars. Also, those dollars must be used for eligible schools and children.

Formal Procurement Methods

Services \$25,000 or more	Supplies (not perishable) \$25,000 or more	Food/ Perishables \$150,000 or more
SDCL 5-18A-14	SDCL 5-18A-14	2 CFR 200.88
SDCL 5-18A-22(12)		

Handout

The formal procurement method limits listed on this slide mean that a **formal solicitation** must be used, either an Invitation for Bid (IFB) or a Request for Proposal (RFP). There are **more rules and requirements with formal procurement**, but these methods allow the purchaser **some additional flexibilities** that are not allowed using the Informal procurement method.

For example, in an RFP procurement you can add other award criteria rather than awarding based on lowest price.

We will not be going into the formal procurement method during this session.

Informal Procurement Methods

Services less than \$25,000	Supplies (not perishable) less than \$25,000	Food/ Perishables less than \$150,000 or more
SDCL 5-18A-14	SDCL 5-18A-14	2 CFR 200.88
SDCL 5-18A-22(12)		

Handout

This is a summary of the Informal Procurement thresholds or limits. We call the informal procurement method : **3 bids and a buy.**

You can see on this slide and the previous slide that these requirements are a **mix of both federal and state requirements.**

Before you go ahead with informal procurement, you need to **check with your local agency** to make sure there are not more restrictive thresholds (lower dollar amounts) required by your local agency.

* 3 Bids & a Buy

Let's Begin!

So let's get started with 3 Bids and a Buy

*Write menus

*Forecast: Identify products & quantities

*Velocity Report

*Include USDA Foods entitlement

*Include current food inventory

*Estimate costs

*Review your procurement plan

*Step 1: Prep

9

Step 1: Preparation for Procurement:

- Write your **menus** and determine what foods you need to purchase
- **Forecast:** Identify what you will purchase. Use production records, planned menus, look at what is in your **inventory**, and include the **USDA Foods ENTITLEMENT**.
 - Ask for a **velocity report** from your current distributor.
- **Estimate the cost** of those items
- Review your **Procurement Plan**. These **plans are required** and will help ensure you follow procurement rules.
- **Identify the procurement method** to use

ITEMS PURCHASED - BY CUSTOMER
7/01/2016 THRU 6/27/2017

ITEM #	PACK QTY	PACK DESC	ITEM DESC	BRAND	QTY SHIPPED	SALES PRICE
306096	72/2.33 OZ		WAFFLE STICKS MINI MAPLE WG IW	KRUSTEAZ	9.00	356.40
305405	1860/.25 OZ		Y CHICKEN POPCORN BRD CKD CN WG	TYSON	5.00	351.75
194964	240/.72 OZ		CORN DOG MINI TURKEY LOWFAT	STATE FAIR	17.00	349.86
160679	6/2#		HAM SLICED .5 OZ	BREAD READY	8.00	340.01
620017	20#		PASTA SPAGHETTI WG BULK 2-2.75"	MARZETTI	11.00	316.80
504904	96/2 OZ		DONUT LONG JOHN WG	BAKER BOY	9.00	302.41
126314	6/#10 CS		FRUIT MIX CHOICE EXTRA LT SYRUP	NUGGET BLACK	8.00	299.66
178691	24/8 OZ		PIZZA CHEESE GLUTEN FREE 6" IW	DELI INTL	6.00	291.12
143502	50/3 OZ		BEEF PATTIES SALISBURY CKD CN	ADVANCE	12.00	271.92

*Velocity Report

10

Handout

Be sure to ask for a specific time period.

The report shows:

- the pack description
- Item description
- Brand
- Quantity shipped

- * Specifications are accurate, clear, and not overly restrictive
- * Specifying a brand name item and specifying "brand name or equal"
 - Better to specify a grade or quality level
- * Describe quality & quantity of foods

* **Step 2: Writing Specs**

11

Writing Specs:

- Specifications are accurate, clear, and not overly restrictive (strict)
- Specifying a brand name item and specifying "brand name or equal"
- It is better to specify a grade or quality level
- Describe quality and quantity of foods

Item #	Product Cat.	Description	Mfr. #	Pack	Qty	Bid Price	Total \$
7	Meat-- Chicken	Chicken. Fully Cooked. Whole Grain Breaded Popcorn Chicken, 1 serving = 2 MMA and 1 OEG (ounce eq. grain). Calories per serving not to exceed 250, sodium per serving not to exceed 400 mg. no added trans fat.	Tyson #70368-928 Equal or better	6/5# bags			

*Specification Example

12

Spec example.

DISCLAIMER: We will be using **specific products** in this session only as an example to enhance learning. **CANS does not endorse this product or any specific products.**

You write the description of the production your want. This example uses a Tyson WG Breaded Popcorn Chicken product that is CN Labeled. **Add as much detail as you need**, but you cannot write the spec so tight that only one vendor or product can respond.

The CANS website under procurement has Bid Specification Examples. This is a great place to start and make changes as your products require.

- * Specifying 1 brand name
- * Drafting specs, terms & conditions, and award criteria so only 1 source can respond
- * Allowing a vendor to draft terms/specs
- * Changing award criteria without notifying all potential vendors

* **Overly Restrictive Specs**

13

Overly Restrictive Specs – This is **not allowed** since this restricts free and open competition:

- Specifying 1 brand
- Drafting specifications, other procurement terms, award criteria, or contract terms to which only one source can respond successfully
- Allowing a potential contractor to draft procurement terms and/or specifications
- Changing the award criteria without providing sufficient notice to potential respondents.

- * Determine procurement method
 - * Formal vs. Informal vs. Micro
- * Develop solicitation document

* Step 3: Procurement Rules

14

Step 3: Research and Solicitation

- In Step 1 You figured out the total dollar amount of your procurement.
- Determine the procurement method: Will your anticipated purchases result in requiring an Informal vs. Formal procurement method?
- Develop your solicitation document. This is an important step even in an informal procurement method.

- * Get quotes by phone, email, fax, or catalogs
- * 2-3 vendors must be included in the solicitation
- * Purchase from lowest price
 - * Fixed price
 - * Fixed price tied to a public cost index with a time frame (vendor must specify index)
- * **Retain documentation for 3 yrs. or longer**

* **Informal**

15

2 CFR 200.320

Procurement by informal procedures.

- Quotes can be obtained by phone, email, fax, or reviewing catalogs
- The price quotations **must be obtained from an adequate number of qualified sources**. That means if you are in an area that is well serviced area, we would expect to see 3 or perhaps more vendors contacted. If you are in an area that is not as well serviced, **you still have to solicit price or quotations from at least 2 vendors** that could fulfill the contract.
- Documentation of your informal solicitation must be retained on file for 3 years past the current year or even longer if there is an open audit.
- Let's look at one example of an informal procurement solicitation on the next slide.
- 200.320 (b)

Request for Fax Quote

*****This is not an order*****

Part 1

TO: Vendor A

TO: Bob BlaBlaw

FAX: 605-773-6846

Number of Pages: 1

FROM: Extraordinary Elementary School

FROM: Sally B. Buyer

PHONE: 605-773-3413

Date: 7/3/2017

Quote good for: _____ days



***Fax Example**

16

www.doe.sd.gov/cans

boxed on advance click

arrow on advance click

This is an example of an informal fax back procurement.

Part 1.

You complete the To and From

You or the **Vendor completes this information**

Ask the vendor to complete **how long the quote** is good for

Part 2

Return by fax to Sally B. Buyer by 5:00 pm CT on 9/1/2017 to 605-773-6846

Date that product is needed: SFA: August 7, 2017

Buy American Provision, to the maximum extent practicable, domestic agricultural commodities or products substantially processed in the United States must be purchased. Subsequent to bid opening, 51% of the quantity of domestic agricultural commodities or products must be domestically grown agricultural products.

Alternate bids will be considered on products, which meet or exceed the specifications. Bids that do not include dietary specifications for the product to include: CNL. If dietary specifications are not included, bid will be considered non-responsive. Please refer to the specifications for these products.

Any reference to brand names is meant as descriptive, not restrictive.

"OR EQUAL": any brand name listed in the specifications as "or equal" or "or equivalent" shall establish the minimum requirements for quality, utility, durability, function, purpose, etc. Other product brands may be offered that are equal to or better than the product brand name. Bidder may show cost differences, alternates, and options in the space provided in the quote. This clause is not meant to be restrictive, but to set the minimum standard. AGENCY SHALL DETERMINE, IN ITS SOLE DISCRETION, WHETHER A PRODUCT OFFERED IS "EQUAL". When the designation is "or equal" or "equivalent" Agency shall make its decision after Bid Closing.

* **Fax Example**
www.doe.sd.gov/cans

17

This is an example of an informal fax back procurement.

Part 2

Contains the small details.

When they need to **respond** to be included in the consideration.

Date you need the product.

Buy American Requirement.

Alternate products and "Or Equal" information.

Part 3

A. Description	B. Mfg. #	C. Quantity	D. Price Per Unit	E. Total
Chicken. Fully Cooked. Whole Grain Breaded Popcorn Chicken, 1 serving = 2 MMA and 1 OEG (ounce eq. grain). Calories per serving not to exceed 250, sodium per serving not to exceed 400 mg. no added trans fat. 6/5# bags	Tyson #70368- 928 Equal or better	15	\$	\$
Click here to enter text.	####	#	\$	\$

Part 4 Special Considerations. Please provide a written response to the following:

Delivery Frequency: Prefer twice a month shipments to the **Extraordinary Elementary School, 800 Governors Drive, Pierre, SD 57501-2294.**
Key drop available.

Signature of Distributor (required): _____ 18 www.doe.sd.gov/cans

box on advance click

arrow on advance click

This is an example of an informal fax back procurement.

Part 3

Write your **“Description” or specification**. Be clear, but not overly restrictive.

Part 4 you can add **“Special Considerations”**

This is where you can add some details about the procurement. This is especially helpful to new distributors/vendors to give them a clear picture of your requirements.

Information like: Multiple drop locations. Drop time/restricted time. Milk Coolers provided by vendor. Key drop available. Is acceptable. Just remember you **cannot be overly restrictive**.

- *Select Lowest Prices for responsive and responsible vendor
- *Be sure:
 - *You have a signed Agreement if needed
 - *Know the length of your Agreement

*Step 4: Make the Award

19

Using informal procurement, you are obligated to **select the lowest bid response** from all vendors that were responsible and responsive.

Does your school require a signed agreement? If so, you should select a method that will result in a signed agreement like the Fax or mailed informal method.

What is the length of the pricing? That will determine how frequently you will need to repeat the informal process.

- *Monitor:
 - *Pricing
 - *American grown & processed products
 - *Quality and Condition of Food at Receipt
 - *Substitutions and Shorts
- *Provide Feedback to Vendor/Distributor

*Step 5: Management

20

We typically refer to this as **Contract management**. Even if you do not have a contract, you **still need to monitor and manage each informal procurement**.

Monitoring **pricing, American grown & processed products, quality and condition** of food when it is received, **substitutions** and shipment **shorting** are all common areas to monitor.

What are some **other areas you can monitor**?

It is also important to **provide frequent feedback to your vendor** to make a good working partnership.

How often do your prices change?

*Milk

*Bread

*Frozen food

*Canned food

*Produce

*Chemicals

*Preventative
Maintenance
Contracts

***How long is it good for?**

21

A common question is how long is an informal procurement good for. The answer is – as long as the pricing does not change.

Each time the prices change you must complete another informal procurement.

That is why it may make sense to split out some of your purchases based on how frequently the prices change.

How often does your prices change for bread, milk, produce, etc.?

* **Micropurchase**

An Informal Procurement Flexibility when Needed

FLEXIBILITY

Informal Procurement Methods: Micro-purchase

Services
<\$3,500

Supplies
<\$3,500

Food/ Perishables
<\$3,500

This option was created to simplify small purchase transactions and minimize administrative burden and cost for small agencies or small programs within your agency, like Fresh Fruit and Vegetable Program.

The micro-purchase threshold is set by the feds (Federal Acquisition Regulation at 48 CFR Subpart 2.1). It is \$3,500 and is **periodically adjusted for inflation**. *Old federal guidance may state this level is at \$3,000.*

§200.67 Micro-purchase

- * Aggregate purchase amount cannot exceed \$3,500
- * Micro-purchases to be distributed equally to suppliers
- * Prices must be reasonable
- * Can be awarded **without** informally soliciting competitive quotes

* **Micro-purchase**
24 2 CFR 200.320 (a)

Micro-purchases:

- Informal procedure
- The **aggregate amount of the purchase does not exceed the micro-purchase threshold** (currently at \$3,500). That is one purchase – for example, if I am purchasing for my SFA and I want to purchase watermelons from a local farmer, my purchase today must be less than \$3,500. I can go back to the same local farmer in two weeks and make the same purchase as long as my purchase is less than \$3,500.
- SFA must **distribute micro-purchases equally among qualified suppliers**, to the extent practical.
- **Prices must be reasonable**
- Can be awarded without informally soliciting competitive quotes

Procurement by micro-purchases can be used for supplies or services. **the SFA must distribute micro-purchases equitably among qualified suppliers.**

200.320 (a)

- | | |
|---|-----------|
| * Using one vendor is ok as long as all purchases are under \$3,500 | NO |
| * My SFA can shop for the best price using this method | NO |
| * My SFA can choose how to “share the wealth” | NO |

* **Micro-purchase Misconceptions**

25

NO appears on advance click

Micro-purchases:

- **the SFA must distribute micro-purchases equitably among qualified suppliers.**
- Price must be reasonable, but the \$3,500 threshold and sharing the wealth equitably among qualified suppliers is more important. This method is not the best purchase method if you are concerned about getting the biggest bang for your dollars.
- **the SFA must distribute micro-purchases equitably among qualified suppliers.** What this actually means will be covered in a future USDA policy memo, they will likely set parameters that must be met. You will not be able to exclude suppliers without acceptable documentation.

200.320 (a)

* **A Few More Things to Consider...**

A QUICK review of some requirements and cautions.

- Response includes items that were not in original solicitation
 - e.g. new signage for your cafeteria
- Items cannot go into consideration for contract award if it was not in original solicitation!

* **Overly Responsive**

27

A caution when evaluating solicitation responses from vendors.

Overly Responsive: means the bid response includes items that were **not in original solicitation**

Like new signage for your cafeteria, point of sale software, consultations with the vendors Registered Dieticians, etc.

These items **cannot** go into consideration for contract award **if it was not in original solicitation!**

American grown, made, and processed food is required whenever possible.

210.21(d)



*Buy American

28

The federal funds that make up your meal reimbursements are generated by American taxpayers. These are generated to support the child nutrition programs AND to support American farmers and manufacturers.

- **requires schools to purchase domestically grown and processed foods, whenever possible**
- Exceptions should be rare. there are two situations which warrant a waiver of the "Buy American" provision and permit purchases of foreign products:
 - **Availability:** when the product is not produced or manufactured in the U.S. in sufficient and reasonable available quantities of a satisfactory quality
 - **Cost:** when competitive bids reveal that the cost of a U.S. product is significantly higher than the cost of a comparable foreign product.
 - **Be sure to keep documentation on file to show/justify that your SFA tried to follow the Buy American rules.**

- * No one person can benefit at the expense of their school or public interest
- * Excuse yourself if involved in the conflict of interest
- * **Vendors that help write the bid, cannot respond to the bid.**

* **Conflicts of Interest**

29

A Conflict of Interest - Is any action that allows a person to benefit at the expense of public interest or their employer

- You must excuse yourself if involved in a conflict of interest
- Check district requirements for signing conflict of interest statement
- Vendors that help write the bid, cannot respond to the bid.

200.112

- * SFA's working together to make some or all purchases
- * These groups must follow same procurement requirements as individual SFAs

* SFA Only Group Buying Coops

30

There are lots of other procurement options available like joining a group buying club or a group of schools pooling their purchases to obtain better price breaks. All dollars spent from the nonprofit school foodservice account must follow the same procurement requirements. It is the responsibility of each SFA that a proper procurement process is used by the group or organization.

If the group you purchase your supplies or food through does not follow the state and local procurement rules, you CANNOT use their services or join the group. It is up to each SFA to make that decision.

- * **SFAs must properly procure price lists and memberships from GBO's**
- * **Examples in SD: Avera PACE, Buy Board, NJPA, Shared Purchasing Solutions, Cooperative Purchase Connection, etc.**

* **Group Buying Organizations (GBO)**

31

Remember that you must follow proper procurement to obtain services and/or price lists.

For example, if you are using the fax informal method you can include a GBO as one of your responses.

Also, if there is a membership fee required before a GBO gives you their price list, it must be properly procured (micropurchase or informal)

- * SFA can define & use local area to buy unprocessed locally grown or locally raised agricultural products
- * Memo SP18 - 2011 *Procurement Geographic Preference Q&As* dated February 1, 2011 contains more information



* Geographic Preference

32

As a Program operator you can define and determine the “local area”. From this defined area you can buy unprocessed, locally grown or raised agricultural products.

* Procurement Templates

CANS website: doe.sd.gov/cans

PROCUREMENT IN THE 21ST CENTURY & WORKSHOP - AND FINANCIAL MANAGEMENT TRAINING

Registration

Federal Procurement Standards Power Point, USDA 2/2016 – 38 slides	Procurement Power Point 4/2016 – 46 slides
Procurement Plan Example	ICN Procurement in the 21st Century
Informal Bid Quote Worksheet <i>Example</i>	Email Quote Request (Fillable) <i>Example</i>
Fax Quote Request (Handwritten) <i>Example</i>	Fax Quote Request (Fillable) <i>Example</i>
Phone Quotes (Printable) <i>Example</i>	Running Quote Log (Fillable) <i>Example</i>
Running Quote Log (Word/Printable) <i>Example</i>	Running Quote Log (PDF/Printable) <i>Example</i>
Bid Specification <i>Examples</i>	Instructions to complete Request for Proposal <i>Example</i>
Request for Proposal (Fillable) <i>Example</i>	Micro Purchases Explanation
Procurement Terms in Plain English	Code of Conduct Example
Food Procurement Flow Chart	

So many good resources!

*Questions?

CANS

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Phone: 605-773-3413

Fax: 605-773-6846

This institution is an equal opportunity provider.

3 Bids & a Buy July 2017

This training credits for 30 minutes of training in

Key Area 2 Operations

2410: Product Specifications, 2430: Purchase Food, Supplies & Equip

Your Name:

Date of Training:



Don't forget to record your training hours. This is the certificate you can print off if you took this class on your own. In class, since we had discussion time, your training credit will reflect the actual time spent learning about this topic.