DATE:  January 21, 2016
TO:    Child and Adult Care Food Program (CACFP) Center-based Child Care
       Institutions
FROM:  Robin Holz, Consultant
       Bureau of Nutrition and Health
SUBJECT: CACFP Procurement Procedures
EFFECTIVE: Immediately

Child Nutrition Program operators are required to transition to new grants management rules
in 2 CFR Part 200, referred to as the Super-Circular. CACFP is affected primarily in regard
to new procedures organizations use when procuring or purchasing goods and services.
The new rules aim to achieve fair and open competition, alleviate administrative burdens,
and ensure integrity. To achieve these goals, participants must develop and follow
procurement (purchasing) procedures within their organization that include:

1. Written standards of conduct covering conflicts of interest and governing the
   actions of its employees engaged in purchasing. This requirement was
   communicated on February 27, 2015 Center Memo 2015-4. This written code of
   conduct must:
   • Prohibit employees from soliciting gifts, travel packages, and other
     incentives from prospective vendors and contractors.
   • Prohibit an employee from participating in the selection, award, and
     administration of any contract when the employee or a member of their
     immediate family has a financial interest
   • Set standards that define the threshold when the financial interest
     becomes substantial and when a gift is an unsolicited item of nominal
     value and may be acceptable.
   • Provide for disciplinary actions to be applied in the event the code of
     conduct is violated.

2. Awarding contracts only to responsive and responsible vendors who are eligible,
   willing, and able to meet the terms and conditions of the contract such as quality
   and quantity, price, and delivery schedules.
3. Keeping records sufficient to document the history of procurements. These records will include the method of procurement used and reason (see #6 below), contract type selected, the contractors selected and rejected, and prices.

4. Responsible administrative practices and sound business judgment to settle procurement issues with vendors including source evaluation, protests, disputes, and claims.

5. Clear and accurate written descriptions of the requirements for the items or services to be procured. The descriptions must not contain features that unduly restrict competition. Overly detailed product specifications should be avoided and may include a “brand name or equivalent” that clearly states all requirements used to evaluate bids.

6. Select the procurement method based on the dollar value of the purchase:

   - Micro-purchase procedures – apply to the acquisition of supplies or services, the aggregate dollar amount of which does not exceed $3,500. To the extent practical, Program operators must distribute purchases equitably among qualified suppliers unless it would cost more to do so. Price comparisons are not required if you consider the cost to be reasonable.

   - Small purchase procedures - apply to purchases above $3500 and below $150,000. Price or rate quotations must be obtained from an adequate number of qualified sources (usually three). This method is also referred to as, “three bids and a buy.”

   - Purchases at or above $150,000 (or organization’s threshold)
     - Sealed bids – Bids are publicly solicited and a firm fixed price contract is awarded to a responsible bidder whose bid meets the required terms and conditions and is the lowest in price.
     - Competitive proposals – Achieved by more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded when conditions are not appropriate for the use of sealed bids. In this case, the requests for proposals must be publicized and identify weighted evaluation or scoring criteria.
     - Noncompetitive proposals – This method is rare and may be used only when the item is available from a single source; an emergency requires it; the Federal or State agency expressly authorizes it; or after solicitation of a number of sources, competition is determined inadequate.

All contracts must be evaluated and awarded without consideration of any unallowable costs that may be included. All new solicitations must include provisions for evaluation and scoring factors with cost as the primary factor. Contracts must be awarded using the published evaluation and scoring factors, with cost as the primary factor. Contracts must be awarded to the lowest responsive and responsible bidder, or to the responsible firm whose proposal is
most advantageous to the program with price as the primary factor. Cost does not have to be weighted at 51% or more among factors but must be primary.

Detailed information about procurement requirements may be found in 2 CFR Part 200 and Federal USDA Memos posted on the Department of Education website:

- CACFP 02-2016 – Q & A on the Transition to and Implementation of 2 CFR Part 200
- CACFP 04-2016 - Local Agency Procurement Reviews: School Year 2015-2016
- CACFP 05-2016 – Guidance on Competitive Procurement Standard for Program Operators

Attached is a form organizations must complete annually and keep on file to fulfill these requirements. In addition, two sessions on procurement will be offered at the May 2016 CACFP Short Course. One session will provide an overview of the new rules and the other will cover the development of written procurement procedures for your organization. Compliance with the new rules will be evaluated on CACFP reviews starting in October 2016.

Contact Robin Holz if you have questions robin.holz@iowa.gov (515)281-3484.

Attachment