Objectives

- Recap of last webinar and USDA procurement memo update.
- Micro-Purchase Method explained. When to use this method of procurement.
- What is Small Purchase or Simplified Purchase Procedure.
- How is Micro-Purchase Procedure different from Small Purchase or Simplified Purchase Procedure. Introduce the 3 Bids and a Buy template.
- Formal Procurement Procedures – Competitive Bidding and Competitive Negotiations. Templates for each.
- Documentation to retain for each procedure.

Procurement Decision Tree

Below the Small Purchase Threshold
(Outside threshold – Federal or State)
- Micro-purchase (threshold <$3,500)
  - Keep a log of items purchased through each vendor
  - Obtain & document quotes
  - Evaluate & Award

Above the Small Purchase Threshold
(Outside threshold – Federal or State)
- Develop solicitation documents (includes specifications, estimated quantities, terms, conditions & provisions)
  - Publicly publish solicitation
  - Evaluate & Award Fixed price or cost-reimbursable contract

Contract Performance Management Protocols during the entire length of the contract.
Cooperative Purchasing

• USDA memo SP 35-2012 Procuring Services of Purchasing Cooperatives, Group Purchasing Organizations, Group Buying Organizations, etc. issued June 12, 2012

• Procurement in the 21st Century pages 113-145

Bottom line – School Food Authority responsible

Procurement Methods

➢ Micro-purchases – NEW
  ➢ Currently the amount is set at $3500 but subject to periodic adjustment

INFORMAL
  ➢ Small Purchase Procedures

FORMAL
  ➢ Competitive Sealed Bids
  ➢ Competitive Proposals

SOLE SOURCE
  ➢ Noncompetitive Proposals

Micro-Purchase Procedures

• Invoices with the date of purchase, itemized list or description of goods and services purchased, the cost per unit, quantity of each purchased item, and total cost.

• Invoice should show price was reasonable.

• Invoices should demonstrate micro-purchases were distributed equitably among qualified vendors
Informal Procedures

Procurement procedures:

- Written informal solicitation document will be developed and provided to vendors.
- Price or rate quotations must be obtained from an adequate number of qualified vendors for the same specifications.
- Minimum two qualified vendors.
- Best practice – three qualified vendors.
- Obtain rate quotes.
- Document all quotes. (template - 3 Bids and a Buy).

Micro-purchase and Small Purchase (Informal)

<table>
<thead>
<tr>
<th>Micro-Purchase</th>
<th>Small Purchase (Informal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement event &lt;$3,500 or &lt; local purchase threshold</td>
<td>Procurement event – &gt; $0 and &lt;$150,000 or &lt; local purchase threshold</td>
</tr>
<tr>
<td>Written specification not required but encouraged</td>
<td>Written specification required</td>
</tr>
<tr>
<td>Not procured competitively</td>
<td>Obtain price quotes from at least two vendors. Encourage obtain prices from three vendors</td>
</tr>
<tr>
<td>Divide purchases equitably among vendors, prices should be reasonable</td>
<td>Lowest, most responsive and responsible vendor</td>
</tr>
<tr>
<td>Documentation – receipts and invoices that are itemized</td>
<td>Documentation – Specifications, 3 Bids and a Buy, itemized receipts and invoices</td>
</tr>
</tbody>
</table>

Question

- What are the allowable processes for purchases above the federal purchase (simplified acquisition) threshold?
  A. Simplified Procedures.
  B. Sealed Bids (IFB)
  C. Competitive Proposals (RFP)
  D. Non-competitive Proposals
  E. All the above
  F. B and C
Formal Procurement

When the value of the procurement event is expected to exceed $150,000 or applicable local purchase threshold, one of the following methods must be used:

- Competitive Sealed Bidding ([2 CFR 200.320(c)(1)(i-iii)] – Invitation for Bid (IFB)
- Competitive Proposal ([2 CFR 200.320(d)(1)] – Request for Proposal (RFP)

Question

- Must a non-Federal (School Food Authority) entity follow written procedures for formal procurement transaction?
  A. Yes
  B. No

Competitive Sealed Bidding

- Also known as Invitation for Bid (IFB)
- Procurement by requiring sealed bids
- Sealed bids are publicly solicited (advertised)
- Bids proposals must be publicly opened
- No negotiation, award on lowest price only
Components of Competitive Sealed Bid

Specifications

• Complete, adequate, and realistic specification(s) for the product(s) and/or service(s)

• Specification(s) should describe the minimum standards expected

• Allows potential bidders to properly respond

Components of a Competitive Sealed Bid

Advertising the bid

• Sealed bids are publicly solicited

• Bids solicited from an adequate number of qualified suppliers
  ➢ Two or more responsible bidders are willing and able to compete effectively for the business
  ➢ In Iowa we strongly recommend soliciting three qualified vendors

• Provide bidders sufficient time to respond prior to the date set for opening the bids. Check local procurement policies.

Advertising the bid

• Sealed bids are publicly advertised
  ➢ Should not restrict fair and open competition
  ➢ Notification only by direct mailings is prohibited
  ➢ Use more than one public announcement method
  ➢ School Food Authority (SFA) website
  ➢ state designated newspapers and trade periodicals
  ➢ designated internet sites
  ➢ direct mailings to known vendors, and
  ➢ other print media that serves the business and the general public
Components of a Competitive Sealed Bid

Public Opening of Sealed Bids

• All sealed bids will be opened at the time and place prescribed in the Competitive Sealed Bid or Invitation for Bid, and
• The bids must be opened publicly

Competitive Sealed Bidding

Bid Award

• A firm fixed price contract will be awarded in writing to the responsive and responsible bidder, whose bid, conforming to all the material terms and conditions, is lowest in price
• Factors such as discounts, transportation costs, and life cycle costs can be considered in determining lowest bid, if specified in bidding documents
• Any or all bids may be rejected if there is a sound documented reason

Competitive Sealed Bids - Types of Contracts

• Fixed Price Contract or Fixed Fee Price Contract
• Fixed Price Contract with Economic Price Adjustment (commonly milk) or Cost Plus Fixed Fee Contract (fees fixed for the contract period, not a per case fee)

SFA must identify the pricing method in the Competitive Sealed Bid documents. If the pricing mechanism changes, a new Competitive Sealed Bid must be issued.
Fixed Price or Fixed Fee Price (total work based fee not a per unit basis) Contract

- An agreed upon amount that is fixed at the inception of the contract
- No upward or downward adjustment for the duration of the contract, including all renewal periods

Fixed Price Contract with Economic Price Adjustment

- A single price reported by vendor which is determined by a formula which includes an index
- Provides upward or downward revision of the stated contract price only based on a change in the associated cost index
- Tied to an appropriate cost index of material or labor – must be clearly identified in the contract award

Resources

  - Federal milk market orders
  - Product Specifications for USDA Foods
  - Produce Prices
When to use Competitive Sealed Bids

- Milk
- Bread
- Small and large equipment
- Service Contracts
- Groceries or supplies if vendor is asked to respond with only a fixed price

Resources
- Template for Milk Bid (Wisconsin)
- Template for Bread Bid (Wisconsin)

Question
- What is the second method of formal procurement?
  a) Competitive Proposals
  b) Competitive Negotiations
  c) Request for Proposal
  d) All of the above

Competitive Negotiations
- Also known as Request for Proposal (RFP) or Competitive Proposals

- Request for Proposal is publicly advertised
- No public opening of the Competitive Negotiations is required
- All evaluation criteria must be developed and included in the solicitation document along with relative importance of each
Competitive Negotiations

Evaluation of Response to Request for Proposals
Two-step process: (written in solicitation document)
  • Technical proposal
  • Cost proposal
    ➢ Price alone is not the basis for award, but is the primary consideration when deciding who to award the contract

Competitive Negotiations

Review and Rank Proposal

• Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program with price and other factors considered

Competitive Negotiations - Types of Contracts

Solicitation must clearly state what type of contract will be awarded
  • Fixed Price Contract or Fixed Fee Price Contract
  • Fixed Price Contract with Economic Price Adjustment
  • Cost Reimbursable Contract
  • Fixed Price Contract with Prospective Price Redetermination
Cost Reimbursable Contract

- Allowable costs net of all discounts, rebates, and other applicable credits accruing to or received by the vendor will be paid by the School Food Authority (SFA)

- Vendor invoices and bills should identify allowable and unallowable costs and amount of discounts, rebates, and credits

- Only allowable costs identified will be paid from the nonprofit school nutrition account

Fixed Price Contracts with Prospective Price Redetermination

- USDA considers this a cost reimbursable contract

- The fixed price is for the initial contract period

- Price redetermination occurs at stated times for subsequent period

- Price changes are based on publicly accessible price guides and identified in solicitation and contract

Competitive Sealed Bid and Competitive Negotiations

<table>
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<tr>
<td>Description of products required</td>
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</tr>
<tr>
<td>Instructions required</td>
<td>Instructions required</td>
</tr>
<tr>
<td>Public opening required</td>
<td>Scoring evaluation in solicitation, two part process- technical and cost proposals</td>
</tr>
<tr>
<td>Price quotes must be written, price documentation required</td>
<td>Price documentation required</td>
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<tr>
<td>Formal advertisement required</td>
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Buy American Provision

Buy American Provision will be included in solicitations for goods and services.

- Domestic commodity or product is an agricultural commodity that is produced in the United States and a food product that is processed in the United States substantially using agricultural commodities that are grown domestically.

Geographic Preference

2 CFR 200.319(b)

State or local geographical preferences, are prohibited in the evaluation of bids, except in cases where applicable Federal statutes allow geographic preference. SFA cannot explicitly have a policy of purchasing from a local business.
Geographic Preference

- Geographic preference is allowed to procure unprocessed locally grown or locally raised agriculture products.
- Unprocessed means that the product maintains its inherent character.


Ways to define local

Terms and Conditions and Provisions

Federal Provisions that apply:
- Administrative, contractual, or legal remedies (>federal purchase threshold)
- Termination clause
- Equal Employment Opportunity clause
- Copeland "Anti-Kickback" Act
- Davis-Bacon Act
- Contract Work Hours and Safety Standards Act
- Clean Air Act and Federal Water Pollution Control Act
- Energy Policy and Conservation Act
- Byrd Anti-Lobbying Amendment
- Debarment and Suspension
- Procurement of Recovered Materials
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(1) mail: U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410;
(2) fax: (202) 690-7442; or
(3) email: program.intake@usda.gov.

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Nine Elements of a Solicitation Document

1. The Introduction
2. General Information
3. Description of the goods or services
4. The minimum qualifications of a vendor
5. Contractual terms and conditions
6. Minimum standards of a submission (bid or proposal)
7. Required elements of a submission (bid or proposal)
8. Submittal requirements
9. Evaluation criteria

Questions

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