

Procurement Methods

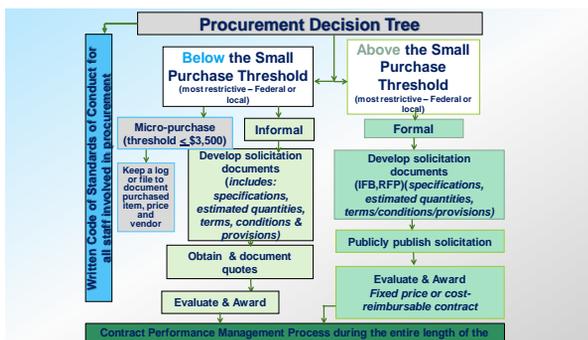
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Objectives

- 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.





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)

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

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.



Components of a Competitive Sealed Bid

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

- Agricultural Marketing Service <http://www.ams.usda.gov>
 - Federal milk market orders
 - Product Specifications for USDA Foods
 - Produce Prices
- Choice Plus- A Reference Guide to Food and Ingredients, 1996

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

Competitive Sealed Bid or Invitation for Bid	Competitive Negotiations or Request for Proposal
Description of products required	Description of products required
Instructions required	Instructions required
Public opening required	Scoring evaluation in solicitation, two part process- technical and cost proposals
Price quotes must be written, price documentation required	Price documentation required
Formal advertisement required	Formal advertisement required

Competitive Sealed Bid or Competitive Negotiations

Competitive Sealed Bid or Invitation for Bid	Competitive Negotiations or Request for Proposal
Suspension, debarment, and non-collusion certification required	Suspension, debarment, and non-collusion certification required
Appendix II 2CFR 200 - Contract Provisions for Non-Federal Entity Contracts under Federal Awards required	Appendix II 2CFR 200 - Contract Provisions for Non-Federal Entity Contracts under Federal Awards required
A firm <u>fixed price contract</u> will be awarded in <u>writing</u> to the responsive and responsible bidder, whose bid, conforming to all the material terms and conditions, is lowest in price	Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program with price and other factors considered

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)

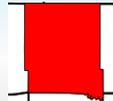
State or local geographical preferences, are prohibited in the evaluation of bids, except in cases where applicable Federal statutes allow geographic preference.

- 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.
- http://www.fns.usda.gov/sites/default/files/f2s/FactSheet_Geographic_Preference.pdf

Ways to define local



Terms and Conditions and Provisions

Federal Provisions that apply:

- Appendix II Contract Provisions for 2 CFR Part 200.
 - 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
1416 Communications Avenue, NE
Washington, D.C. 20250-9410

(2) fax: (202) 680-7442; or

(3) email: program.action@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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