

# Procurement Basics

**South Carolina Department of Social Services  
Child and Adult Care Food Program  
Procurement Handbook  
Updated September 2008**

This document prepared with information taken from the Southeast Regional Office, Food and Nutrition Procurement Handbook, the Administrator's Procurement Manual for Child Nutrition Programs prepared by the North Carolina Department of Public Instruction, and procurement guidance materials prepared by the Illinois Department on Aging Child and Adult Care Food Program.



## Table of Content

<b>Introduction</b> .....	<b>1</b>
What governs child care and adult day care procurement? .....	1
What Is Procurement? .....	1
What Standards Must Be Adhered To When Establishing A Procurement System? ...	1
What Are Other Components Of A Procurement System? .....	2
<b>Competition</b> .....	<b>2</b>
Why is competition important .....	2
What are examples of restricting competition? .....	3
When is competitive procurement required? .....	3
<b>Comparability</b> .....	<b>3</b>
Why is comparability important? .....	3
What elements must be made available to potential vendors? .....	3
What are product specifications? .....	3
What elements should be included in a specification? .....	4
When is it appropriate to use brand names in specifications? .....	4
<b>Documentation</b> .....	<b>4</b>
Why is documentation important? .....	4
What types of records must be maintained? .....	4
What are escalation clauses? .....	5
<b>Procurement Plans</b> .....	<b>6</b>
Why is a procurement plan important? .....	6
What knowledge must a center purchaser possess? .....	6
How is a procurement plan developed? .....	6
What other areas should be developed and included in the plan? .....	7
<b>Procurement Methods</b> .....	<b>8</b>
Why is it important to use the correct procurement method? .....	8
What is meant by the term, “100,000, or more, in the aggregate”? .....	8
Does the \$100,000 threshold apply to the entire sponsoring organization or just to each center? .....	8
1. Small Purchasing Procedures .....	8
2. Competitive Sealed Bids (Formal Advertising) .....	10
3. Competitive Negotiation .....	11
4. Noncompetitive Negotiation .....	12
<b>Some Information About Bidding</b> .....	<b>12</b>
Weekly Bids .....	12
Monthly Bids .....	13
Quarterly Bids .....	13
Annual Bids .....	13

## **Table of Content**

<b>Cooperative Purchasing .....</b>	<b>14</b>
What is cooperative purchasing? .....	14
What type bid method should be used in cooperative purchasing contracts? .....	14
What are the major differences between cooperative purchasing contracts and those developed by a single unit? .....	14
What are the advantages of cooperative purchasing? .....	14
What are the disadvantages of cooperative purchasing? .....	15

### **APPENDIX**

- Small Purchases Quotes
- Request for Quotations
- Procurement Log for Small Child Care Centers
- Procurement Log for Small Child Care Center (Sample)
- Procurement Plan A
- Procurement Plan B

## **Introduction**

### **Establishing A Procurement System Is Important Because It:**

- ◆ is required by Program regulations.
- ◆ is good business.

### **What governs child care and adult day care procurement?**

The areas of procurement of food, supplies, chemicals and equipment for use in institutions participating in the Child and Adult Care Food Program is governed as follows:

- ◆ Pursuant to 7 CFR Part 3016, public institutions must follow their own procurement procedures except when those procedures are inconsistent (less stringent) with State or Federal procedures. When an institution's procedures are inconsistent, the more restrictive State or Federal procedure must be substituted; however the institution will continue to follow all other conforming local procedures.

In the absence of local procedures, public institutions will comply with State procurement procedures except when those procedures are inconsistent with Federal procedures. More restrictive Federal procedures must be substituted for nonconforming State procedures.

State agencies must provide institutions with up-to-date information regarding State procurement requirements and maintain a system that provides timely updates to institutions when changes occur.

- ◆ Pursuant to 7 CFR Part 3019, nonprofit institutions may opt to use their own established procurement procedures as long as those procedures conform to Federal requirements. A nonprofit institution may elect to follow Federal requirements to acquire program goods and services, even when those requirements are less stringent than its own standards.
- ◆ Proprietary CACFP institutions must follow the procurement procedures established in Part 226 regulations.

### **What Is Procurement?**

Procurement is the process of obtaining goods and services including all activities associated with preparing product identifications, making purchases and administering contracts.

### **What Standards Must Be Adhered To When Establishing A Procurement System?**

- ◆ *Competition*, which means the process by which two or more distributors attempt to secure the business of a customer by offering the most favorable terms as to price, quality and service.

*Comparability*, which is the term used to indicate that identical product quality characteristics exist between like products, ensuring that fair competition takes place.

- ◆ *Documentation*, records maintained by an institution to detail the significant aspects of its procurement.
- ◆ *Procurement Plan*, a description of policies that describes how an organization plans to buy products and/or services. The Plan should explain the method to be used, why this method was chosen, and all aspects of the process. Also, it must address competition, comparability and documentation.

### **What Are Other Components Of A Procurement System?**

- ◆ *Code of Conduct*, which is a written standard of conduct which governs the performance of its officers, employees, or agents who are engaged in the award and administration of contracts supported by program funds.
- ◆ *Review Procedures*, which provide that a second party reviews procurement actions.
- ◆ *Contract Administration*, a system to ensure that contractors and vendors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- ◆ *Contracting With Small and Minority Firms, Women's Business Enterprises, and Labor Surplus Area Firms*
- ◆ *Contract Provisions*, conditions that are required to be included in all contracts or subcontracts funded by the program. This includes procurement of food, equipment, supplies, as well as services.

## **Competition**

### **Why is competition important?**

- ◆ The primary purpose of federal procurement regulations is to ensure that open and free competition exists to the maximum extent possible. Competition is mandated so that program goods, equipment, and services will be obtained at the lowest possible cost.
- ◆ All procurements must be obtained through competition.
- ◆ The actual type of procurement method used is of secondary importance to ensuring that open and free competition exists when procurement is made.

### **What are examples of restricting competition?**

- ◆ Placing unreasonable requirements on firms in order for them to qualify to do business. Such as, excessive bid bonds, delivery schedule requirements that are not feasible, etc.
- ◆ Noncompetitive practices between firms. Practices that attempt to limit competition. This type of collusion is difficult to detect, unless obvious information comes to the forefront.
- ◆ Organizational conflict of interest. This practice may be difficult to detect. For example, this has occurred in the program when a parent company was chosen to perform an evaluation of a food service management company that was one of its subsidiaries.
- ◆ Unnecessary bonding and/or experience requirements placed upon potential vendors.

### **When is competitive procurement required?**

- ◆ All procurements must be competitive to the extent feasible. No matter what method of procurement is used (small purchase procedures, competitive negotiation, competitive sealed bids or noncompetitive negotiation) competition must prevail, unless documentation is available to justify that this was not possible.

## **Comparability**

### **Why is comparability important?**

- ◆ In order to ensure that true competition is taking place.
- ◆ Only when the bids and quotes are for identical goods or services, meeting the same general specifications and conditions, can they be compared to determine the lowest and best price.

### **What elements must be made available to potential vendors?**

- ◆ All pertinent data including, but not limited to:
  - Delivery schedules
  - Quantities
  - Product specifications
  - Purchase conditions

### **What are product specifications?**

A specification tells the vendor what the buyer wants. Copies of all specifications should be given to and discussed with the vendor(s) so that there is no misunderstanding about the products to be delivered. Since specifications inform the vendor exactly what is wanted, they are a means of resolving differences if products delivered are not satisfactory.

### **What elements should be included in a specification?**

- ◆ Name of products (trade or brand)
- ◆ Federal grade, style, variety or other quality standard designation.
  - Style - whole kernel corn
  - Variety - wine sap apples
- ◆ Size container (weight, can size, etc.)
- ◆ Fill or count of contained product.
- ◆ Packing medium – syrup, sugar, natural juice, water, oil.
- ◆ Unit on which price will be based.
- ◆ Kind of container – cans, glass, plastic bags, kegs, paper containers, etc.
- ◆ Any other information which helps to describe the condition of the product to be delivered should be included as appropriate.

### **When is it appropriate to use brand names in specifications?**

When it is impractical or not economical to make a clear and accurate description of the product to be produced, a brand name or equal description can be used. The specific features of the named brand which must be met must be clearly stated. For example, a specific brand of taco shells might be desirable not only because of taste and texture, but also because of their resistance to breakage on the serving line. A specification could be written specifying a particular brand of shell, or equal in terms of taste, texture and resistance to breakage on the serving line. It would be the responsibility of a vendor to demonstrate that another brand of shells meets the desired features.

## **Documentation**

### **Why is documentation important?**

Institutions are required by program regulations to maintain records to detail the significant aspects of its procurement.

### **What types of records must be maintained?**

- ◆ Reasons for selecting the method of procurement used in specific purchases or types of purchases, such as a procurement plan.
- ◆ Contractor selection or rejection.

- ◆ Escalation clauses.
- ◆ Selections of contract type, if applicable.

### **Items to consider for contractor selection or rejection**

- ◆ Is the vendor responsible?

Responsible vendors are those vendors that possess the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration must be given to:

- a. financial and technical resources
- b. vendor integrity
- c. record of past performance (based on documentation of past failures that have been brought to the attention of the vendor and not corrected)
- d. compliance with public policy (as in the case of equal opportunity compliance or compliance with pertinent Environmental Protection Agency regulations)

- ◆ Did the vendor submit the lowest bid, if bottom line price is the determining factor?

An institution must document its reason for selecting or rejecting a contractor. If the lowest bid price is not the determining factor, written justification must be maintained showing why one contractor was more beneficial than another to the program.

Any or all bids may be rejected when there are sound business reasons in the best interest of the program. This must be documented.

### **What are escalation clauses?**

An escalation clause is a provision in a purchasing contract providing for an upward adjustment in the contracted price of an item if specified contingencies occur.

Escalation clauses are permitted in contracts negotiated with suppliers that provide products which fluctuate in price based on the cost of the raw materials they contain. Because the cost is based on the availability of the raw material and usually regulated by an independent commission or board out of the control of the supplier or buyer, there is no way to anticipate what prices will be at the time a contract is signed. Contracting for milk is an example of a contract which might have an escalation clause. Although escalation clauses are not mandated under such special circumstances, they are logically warranted to account for the unpredictability of these and similar situations.

## **Items to be documented for the basis of cost or price in negotiated contracts**

If the lowest offered bid is accepted, this can be documented in a simple sentence, or may already be documented in the records kept under the current formal bidding or quotation process. More documentation would generally be required when using a negotiation method. In addition to cost or price, the other factors evaluated which led to the selection must be addressed.

## **Procurement Plans**

### **Why is a procurement plan important?**

A procurement plan can:

- ◆ clarify the procurement practices of a center for the benefit of the entire staff involved;
- ◆ ensure that wanted food products, chemicals, equipment and supplies are purchased in a timely manner within budgetary guidelines.
- ◆ Can serve as the documentation for using the various methods of procurement: small purchasing procedures, competitive sealed bidding, competitive negotiation or noncompetitive negotiation.

### **What knowledge must a center purchaser possess?**

- ◆ The market and supply sources
- ◆ How foods are grown, processed, transported and distributed
- ◆ Food preparation techniques and operational standards
- ◆ Appropriate federal and state guidelines and grade labels
- ◆ Specifications and program objectives

### **How is a procurement plan developed?**

A procurement plan starts with a menu cycle, food item inventory and input from significant individuals in the center/organization.

It should tell you, **what, when, how and who**. The completed plan can be made available to all persons appropriately involved in the procurement processes.

Although the categories should be designated to meet the purchasing needs of your center, the **what** can be categories such as:

- |                   |             |
|-------------------|-------------|
| ◆ meats           | ◆ supplies  |
| ◆ groceries       | ◆ chemicals |
| ◆ dairy products  | ◆ equipment |
| ◆ produce         | ◆ services  |
| ◆ bakery products |             |

The specific requirements by weight, grade, type, pack or process is stated in a specification. This concise statement communicates to the distributor (bidder) the exact product required by the center.

**A procurement plan should tell when:**

- ◆ weekly
- ◆ quarterly
- ◆ bimonthly
- ◆ every 90 days
- ◆ monthly
- ◆ every six months
- ◆ bimonthly
- ◆ annually

**A well written procurement plan will tell you how or the method that will be used for purchasing each category:**

- ◆ Small purchase procedure
- ◆ Price quotes
- ◆ Cost plus fixed fee
- ◆ formal bids
- ◆ noncompetitive negotiations

**Every good procurement plan should identify who is responsible for:**

- ◆ developing specifications
- ◆ interpreting specifications
- ◆ receiving and tabulating pricing information
- ◆ reviewing quotes and/or bids, tabulating price per purchase unit and price per serving
- ◆ awarding quotes and/or bids
- ◆ receiving product and checking invoices
- ◆ approving substitutions
- ◆ evaluating new products

**What other areas should be developed and included in the plan?**

No procurement plan would be complete without a Code of Ethics or conduct statement to guide the persons involved in procurement. It is important that all the individuals in the process understand appropriate and expected behaviors.

Emergency preparedness should also be part of the plan. A good procurement plan will tell you what is classified as an emergency and how to deal with the situation. Some things you might decide to place in the emergency category are:

- ◆ failure of the director/cook to order
- ◆ failure of a company to deliver
- ◆ failure of the director to get price quotes or bids
- ◆ equipment failure – cannot be repaired
- ◆ food spoilage
- ◆ extenuating weather conditions

*Enclosed are two types of Procurement Plans that may be used for institutions purchasing goods and services .Procurement Plan A would be beneficial for institutions practicing grocery shopping alternative. Procurement Plan B would be beneficial for institutions practicing small purchasing procedures purchasing goods and services in the aggregate.*

## **Procurement Methods**

### **Why is it important to use the correct procurement method?**

There are four basic procurement methods. Using the correct procurement method will assist in assuring that necessary goods and services are produced at the lowest cost and with the greatest benefit to the program. Open and free competition must prevail to the extent possible regardless of the method used.

### **What is meant by the term, “100,000, or more, in the aggregate”?**

An institution may consider the \$100,000 amount as an annual amount. The \$100,000 threshold may apply to one of three criteria, according to the decision of the center management. These are:

1. Singular items of food or supplies or equipment; or
2. Group of items, like frozen vegetables or canned vegetables; or
3. Total amount of food and supplies used in the institution’s operation.

### **Does the \$100,000 threshold apply to the entire sponsoring organization or just to each center?**

It applies to the organization performing the procurement function. If procurement is centralized in an organization, the \$100,000 threshold would apply on an organization wide basis. If procurement were delegated to each center, then the \$100,000 threshold would be measured on a center basis.

#### **1. Small Purchasing Procedures**

Small purchase procedures are those relatively simple and informal methods that are sound and appropriate for any item of food, supplies, equipment, or other services which do not total more than \$100,000 on an annual basis.

##### Rate quotations for small purchases

When goods or services are under \$100,000 in aggregate value, small purchase methods may be utilized. Free and open competition must prevail when using small purchase procedures.

The items or services must be adequately and consistently described for each prospective vendor so that each one can provide price quotes on the same merchandise or service.

Note: The current threshold for proprietary, nonprofit and public institutions is \$100,000. See 7 CFR Part 3016 and 7 CFR 3019 for additional information.

This can be accomplished by written or verbal “requests for quotations.” The request would describe the various items and/or services the institutions wishes to purchase. Great care must be taken to ensure that all suppliers receive the same information about the purchasing agency’s requirements. Responses can be in written or verbal form; however a verbal response must be followed by a written confirmation. Price quotations thus secured must be maintained by the institution.

The purchasing agency must contact at least three (3) known suppliers of the product or service and obtain competitive prices or rate quotations from them. Unlike sealed bidding, where bid prices must be considered firm and final, negotiation of prices and terms with one or more of the suppliers contacted is permitted.

Enclosed are two sample forms (Small Purchase Quotes and Request for Quotations) for your review and possible use to document the contact with at least three (3) known suppliers.

### **Grocery Shopping Alternative**

Small child care or adult day care centers not making aggregate purchases may use the grocery shopping alternative. This is considered to be a form of small purchase procurement when aggregate food purchases are impractical.

The small centers who may use this alternative are those who shop on a weekly basis at a local grocery store and this local grocery store shopping is the only practical/available method.

Each center using the grocery shopping alternative must engage in the sort of comparison pricing that any grocery shopper would. Consumer organizations in some localities regularly publish the comparative prices of local grocery stores and newspapers publish grocery store advertisements or fliers.

These consumer publications and/or newspaper food advertisements are to be utilized to determine the best food prices in the area.

For documentation purposes for the grocery shopping alternative, centers are to obtain this consumer publication and/or obtain a set of newspaper advertisements from at least three (3) different grocery stores once every six months to ensure prices are the most reasonable and this method is the most efficient. The Procurement Log enclosed with this handbook, or similar document, should be used to record the store(s) chosen and reason(s) why. However, centers are to always utilize comparison shopping to determine the best prices in the area.

*Please note that aggregate purchases, under the small purchasing procedures, are generally the most economic and efficient way of obtaining food items. Only those small day care centers that cannot make aggregate food purchases are to use the grocery shopping alternative.*

## 2. Competitive Sealed Bids (Formal Advertising)

Sealed bid procurement involves a publicly advertised notice that an institution intends to purchase certain items or services. This type of procurement would be used when procurements are expected to be over \$100,000 in aggregate value per year, and

- a) the product or service can be completely described in the agency's bid specifications;
- b) the award of a contract can be made primarily on the basis of price alone, this method of procurement should be utilized.
- c) There are two or more responsible suppliers that are able and willing to compete for the contract.
- d) Sufficient time is available to prepare a complete description or specification of needs and the terms under which the contract will be performed.
- e) There is time for bidders to prepare bids which are responsive to the specifications and terms of the solicitation.

It should be noted that the term "formal advertising" is somewhat misleading in the sense that all proposed procurements expected to exceed \$100,000<sup>1</sup> must be formally publicized or advertised in some fashion, regardless of the procurement method utilized. Even small purchases are informally "publicized" in that the institution informs at least three potential suppliers of its intention to purchase supplies or services.

**If we elect to choose the individual item as the basis for determining the \$10,000 threshold, does this mean that competitive sealed bids must be used as the procurement method for these items costing over \$100,000 a year?**

Not necessarily. The procurement regulations also provide guidance on when competitive sealed bidding is feasible. The following appropriate conditions must be present:

1. A complete, adequate and realistic specification or purchase description is available.
2. Two or more responsible suppliers are willing and able to compete effectively for the institution's business.
3. The procurement lends itself to firm fixed-price contract. This means the selections of successful bidder(s) can appropriately be made principally on the basis of price.

<sup>Note:</sup> The current threshold for nonprofit and public organizations is \$100,000. See 7 CFR Part 3016 and 7 CFR 3019 for additional information.

**What kind of competitive bidding could be used when competitive bids are not entirely appropriate?**

A type of competitive negotiation could be used that includes a public request for bids. This procedure is described under the section titled “Competitive Negotiation.”

**What if a center gets the chance to purchase a food item at a much lower than expected cost? Since time is so important for these kinds of purchases, how could the institution possibly go through the competitive procedures required?**

In the food industry, it is common to occasionally have an item offered at a very low price because of a surplus situation. We don’t expect an institution to give up taking advantage of these kinds of opportunities. However, open and competitive purchasing procedures can still be maintained, for example, by phone contacts that are documented.

Let’s consider the following example. Distributor XYZ calls saying that 200 cases of tomatoes are available at a price far below the accepted bid price of Distributor ABC. You can still use the minimum number of cases agreed to in the contract with Distributor ABC and you can use the additional 200 cases.

Using the same specifications that Distributor XYZ provided as a description of the offered tomatoes, contact other suppliers by phone to check their prices for the identical goods. If indeed Distributor XYZ’s proposal is too good to pass up, make the purchase.

You will need to document your contacts and the price quotations received.

**3. Competitive Negotiation**

Competitive negotiation can be used when competitive sealed bidding would not be appropriate (for example, when the award cannot be made principally on the basis of the quoted or bid cost). Bids are requested, but they are not awarded on a simple total cost basis.

Competitive negotiation is commonly used for the acquisition of professional services. However, it can be used for the procurement of food products in a rapidly changing market, as in the case of crop disaster.

The solicitation document used in negotiated procurement is referred to as Request for Proposal (RFP). Bidders respond to an RFP by submitting technical and cost proposals. These proposals are evaluated in accordance with evaluation factors which are cited in the RFP.

The following conditions must be set to use competitive negotiation:

- a) Proposals must be solicited from an adequate number (at a minimum, two) of qualified sources to permit reasonable competition.

- b) The request for proposals must be publicized, and reasonable requests by other sources to compete must be honored to the maximum extent possible.
- c) The request for proposal must identify all significant evaluation factors including price and cost where required and their relative importance.
- d) The institution must provide a mechanism for technical evaluation of the proposals received to determine which responsible bidders will be contacted for the purpose of further written and verbal discussions and selection for the contract award.
- e) The contract must be awarded to the responsible bidder whose proposal is most advantageous to the institution when price and other factors are considered. Either a fixed-price or a cost-reimbursable-type contract may be awarded. For food and supply items a unit price contract is usually awarded. This method requires a significant amount of procurement expertise.

#### **4. Noncompetitive Negotiation**

Noncompetitive negotiation is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources in which competition is determined to be inadequate. Noncompetitive negotiation can be used only when the procurement is not feasible under small purchases procedures, competitive sealed bidding, or competitive negotiation procedures.

Circumstances under a procurement may be made by noncompetitive negotiation are limited to the following;

1. The item is available only from a single source.
2. A public emergency exists and the urgency for the requirement will not permit the delay involved with competitive bidding or negotiation.
3. After solicitation from a number of sources, competition is found to be lacking.

Small institutions in rural areas may only have access to one source. If this is the case, the institution should document the situation. Each year an effort should be made to see if other sources have become available.

#### *Some Information About Bidding*

##### **Weekly Bids**

##### Advantages

Institutions that elect to use the weekly bid time frame for items such as fresh produce and/or items of a highly volatile nature are able to react very quickly to changing market conditions. Weekly bids also permit the bidder to obtain the most current pricing for items that normally fluctuate on an almost daily basis.

### Disadvantages

Weekly bids require a great deal of time and effort on the part of both the supplier and the purchaser. This results in increased administrative costs within the center and may also result in increased product cost to cover the time and effort required of the supplier to obtain weekly prices.

### **Monthly Bids**

#### Advantages

Monthly bids require less time on the part of the purchaser to prepare and award bids. They also provide the bidder with the opportunity to obtain better prices because of larger quantities than would normally be included in weekly bids.

Monthly bids provide the purchaser with the opportunity to react within a reasonable time to changing market conditions and/or new products.

#### Disadvantages

Monthly bids require a large amount of time in the preparation and awarding of bids. The time and cost of preparing monthly bids will generally be passed on to the purchaser, resulting in increased product costs.

Additionally, when using monthly bids, purchasers are faced with the problem of constantly changing suppliers. This results in delivery problems and in controlling the quality of products received.

### **Quarterly Bids**

#### Advantages

Quarterly bids require less time on the part of the purchaser to prepare and award bids than the monthly bid method. They also will normally provide the supplier to obtain prices on larger quantities of single items than would be called for in a monthly bid.

#### Disadvantages

Because of the length of time for which the purchaser is obligated to specific supplier(s), the ability to readily change menus, add new products, address changing market conditions, and/or address supplier problems may be limited.

Bidders are placed in a position of having to anticipate changing market conditions, which may result in inflated costs in order to provide protection against rising costs of products and/or operations.

### **Annual Bids**

#### Advantages

As is the case with quarterly bids even less time is required on the part of the bidder to prepare and award bids. Also, the supplier has the opportunity to compete for the needs of a center or group of centers for an entire year.

In the event that annual bids are received, the purchaser must decide whether or not to allow escalator clauses and, if so, what method will be used. The purchaser may elect to allow specific increases over defined periods of time or the Cost plus Fixed Fee method may be used. Cost plus Fixed Fee contracts provide for price adjustments at specified intervals based upon the actual cost of product delivered to suppliers. The fee is predetermined and may not change during the year.

### Disadvantages

Annual Bids which do not provide for adequate flexibility have the same disadvantages as quarterly bids, only more intense.

### Other Information

## **Cooperative Purchasing**

### **What is cooperative purchasing?**

Cooperative purchasing contracts are normally contracts that are developed through the efforts of two or more purchasing programs for the purpose of obtaining better pricing and service from distributors. Any number of agencies may participate in a cooperative purchasing contract. However the most effective method of operation is to have some logical geographical boundaries with the cooperative.

### **What type bid method should be used in cooperative purchasing contracts?**

Purchasing cooperatives may use any of the acceptable bid methods. However, quarterly, annual, or Cost plus Fixed Fee contracts are the most effective because of the amount of time required to coordinate the efforts of the various agencies and to develop the actual bid documents.

### **What are the major differences between cooperative purchasing contracts and those developed by a single unit?**

The number and location of delivery sites, delivery conditions, methods of ordering and payment tend to be more varied in a cooperative environment than in a single unit.

### **What are the advantages of cooperative purchasing?**

Cooperative purchasing allows agencies to pool requirements to obtain better pricing due to larger quantities. Cooperative purchasing can also be a real advantage to agencies that are isolated from normal distribution channels by increasing the volume of bid quantities.

Bidders are given an opportunity to bid on larger shares of the market place without having to process as many individual bids, thus lowering the administrative cost in processing bids.

Cooperative purchasing also permits agencies to pool resources and knowledge in order to develop a better system of purchasing, resulting in improved quality and service.

**What are the disadvantages of cooperative purchasing?**

Cooperative purchasing contracts may require that some centers change product specifications from what they have been using in the past. This can lead to acceptability problems with customers. Also, the developmental stages of a cooperative purchasing contract require a great deal of planning time on the part of all agencies involved.



# APPENDIX



**SMALL PURCHASE QUOTES**

NAME OF PROGRAM INSTITUTION: \_\_\_\_\_

ADDRESS: \_\_\_\_\_  
\_\_\_\_\_

In order to comply with Federal purchasing regulations as they apply to small purchases, it is necessary that we receive quotes on items each time there is a price change. Enclosed are specifications for items frequently purchased by this institution. Please submit quotes on the enclosed form directly to the institution at the address listed above or you may telephone them to the following number: ( ) \_\_\_\_\_ - \_\_\_\_\_. Quotes should be received by \_\_\_\_\_ of each week.

It is important that price change information be received on a timely basis so that orders will reflect those changes. If you do not wish to supply these items to us under these conditions, please let us know.

Below is a list of sites, addresses, phone numbers, contact persons, and frequency of deliveries required.

The company named below acknowledges, by completion of this form, that it is interested in providing the above items and agrees to abide by the conditions stated herein. Weekly quotes will be

\_\_\_\_\_ Mailed to the institution by the specified day.  
\_\_\_\_\_ Available by phone from \_\_\_\_\_.  
(Name)

\_\_\_\_\_  
Signed Title

\_\_\_\_\_  
Company Name Date

\_\_\_\_\_  
Company Address

\_\_\_\_\_  
Company Address



## REQUEST FOR QUOTATIONS

It is the purpose and intent of \_\_\_\_\_ to secure quotes for the  
(Institution)

items specified on the attached sheets. Quotes will be taken on \_\_\_\_\_ of each  
(Day of Week)

\_\_\_\_\_ at \_\_\_\_\_  
(Weekly, Biweekly, Monthly, Etc.) (Time of Day) (Address)

\_\_\_\_\_ reserves the right to reject any and all quotes in  
(Institution)

whole, or in part, and/or to accept the quotations that in its judgment will be in the best interest of the program. You may bid on any one or more items. It is expressly stipulated that the \_\_\_\_\_ may award on individual item, or lump-sum

(Institution)  
quotations will be allowed at the discretion of \_\_\_\_\_.  
(Institution)

Prices quoted shall include charges for transporting any or all items in varying quantities to \_\_\_\_\_.  
(Each center, Central Warehouse, etc.)

Excise Tax or State Sales Tax. Any discounts to be given must be specifically stated on the quotation sheet. \_\_\_\_\_ is a tax exempt organization.  
(Institution)

Brand Name of merchandise quoted is required. Any proposed alternates to the specifications listed must be approved by the \_\_\_\_\_ five days prior to the  
(Title of Person(s))

Quotation. An example of the alternate may be required to establish quality.

All items will be inspected upon arrival. If any articles are found defective, or otherwise not in conformity with the specifications, the institution shall have the right to reject such items. It will be the responsibility of the vendor to defray any cost involved in the delivery and return of rejected articles.

Invoices should be sent to \_\_\_\_\_.  
(Each center, Central Warehouse, etc.)

Response to the quotations will be given orally with a written confirmation upon request. In the event that the successful quoter(s) is (are) unable to furnish the brand that was indicated, the \_\_\_\_\_ shall be notified to select the alternate.  
(Title of Person(s))

Delivery must not be made until acceptable alternate is determined. All quotations are firm for the period of \_\_\_\_\_.  
State Exact Date



**Procurement Log for Small Child Care Centers  
Buying Food at Grocery Stores**

Month (s) \_\_\_\_\_ Year \_\_\_\_\_

Three, Four, or Five Most Purchased Items	Prices			Store Chosen and Why
	Name of Store			

**Attached appropriate advertisement (do not send this information to SCDSS)**

**If applicable – state if one or more of the following contributed to your purchasing place decision: credit availability, proximity of store, consistent good quality, and reliability.**



# SAMPLE

## Procurement Log for Small Child Care Centers Buying Food at Grocery Stores

Month (s) JUNE Year 2003

Three, Four, or Five Most Purchased Items	Prices			Store Chosen and Why
	Name of Store			
Meats	Bi-lo \$1.69/pound	J's Grocery \$1.49/pound	Food Lion \$1.79/pound	J's – Fresh meats every day, consistently good quality, closes store
Milk (2%)	Bi-Lo \$2.29/gallon	J's Grocery \$2.39/gallon	Food Lion \$2.39/gallon	Bi-Lo – best price
Fruits and Vegetables	Bi-Lo Inconsistent price	MG Market Fresh and low prices	Food Lion High prices	MG market – Fresh and low prices
Bread (Wheat or White)	Bi-Lo \$1.79	J's Grocery \$1.79	Food Lion \$1.79	Will purchase at any of the three.

Attached appropriate advertisement (do not send this information to SCDSS)

If applicable – state if one or more of the following contributed to your purchasing place decision: credit availability, proximity of store, consistent good quality, and reliability.



## PROCUREMENT PLAN A

\_\_\_\_\_ will purchase for use in the Child and Adult  
(Institution Name)  
Care Food Program (CACFP) using the procedures outlined in this plan.

- A. If the total amount of purchases is \$100,000 or more, formal bid procedures will be utilized as follows:
  1. Advertisement in a newspaper of general circulation.
  2. Mail specifications and bid documents to all potential bidders.
  3. Publicly open and tabulate bids.
  4. Bids will be submitted to the appropriate governing board for approval
  
- B. If the purchases are not covered by paragraph A of this plan, these purchases shall be made by use of small purchase procedures as follows:
  1. Develop specifications and instructions for all items.
  2. Obtain price quotes from an adequate number of suppliers.
  3. Prepare a price quote documentation sheet and indicate the supplier who was awarded the quote.
  4. Submit documentation sheet to review official.
  
- C. If the purchases are not covered by paragraph A of this plan and are not made in the aggregate, the grocery-shopping alternative may be used. The procedure for the grocery shopping alternative method is as follows:
  1. Shopping is usually done on a weekly basis at a local grocery store because this local grocery store is the only practical/available method.
  2. Each center will engage in the sort of comparison pricing that any grocery shopper would.
  3. Consumer publications and/or newspaper food advertisements are to be utilized to determine the best food prices in the area.
  4. For documentation purposes centers are to obtain this consumer publication and/or obtain a set of newspaper advertisements from at least three (3) different grocery stores once every six months to ensure prices are the most reasonable and this method is the most efficient. However, centers are to always utilize comparison-shopping to determine the best prices in the area.

The following conduct will be expected of all persons who are engaged in the award and administration of contracts supported by CACFP funds.



**PROCUREMENT PLAN A**

No employee, officer or agent of the \_\_\_\_\_ shall  
(Institution Name)  
participate in selection or in the award or administration of a contract supported by CACFP funds if a conflict of interest, real or apparent, would be involved.

Conflicts of interest arise when one of the following has a financial or other interest in the firm selected for the award:

- a. The employee, officer, agent, board member or staff person;
- b. Any immediate family member of persons listed in "a";
- c. His or her partner;
- d. An organization that employs or is about to employ one of the above.

The \_\_\_\_\_ employees, officers, agents, board  
(Institution Name)  
members or staff persons shall neither solicit nor accept gratuities, favors or anything of material monetary value from contractors, potential contractors or parties to sub-agreements. The purchase of any food or service from a contractor for individual use is prohibited.

The removal of any supplies, equipment or institution property, such as official books, records and the like is prohibited.

Staff, whether full-time, part-time or contracted, or board or immediate family members of staff or board are prohibited from being providers.

Rental of facilities, equipment or furnishings from staff or board or another organization of which staff or board is also a member is prohibited.

Hiring of family members and payment of salaries or travel for which there is no documentation of work performed is prohibited.

The selling of items or services to providers from which staff or board realize a profit is prohibited.

Failure of any employee to abide by the above stated code could result in a fine, or suspension, or both, or dismissal. Interpretation of the code will be given at any time by contacting

\_\_\_\_\_ at \_\_\_\_\_. The \_\_\_\_\_  
(Title and name of person) (Telephone number) (Institution name)

will not be responsible for any explanation or interpretation which anyone presumes to make on its behalf.

This plan adopted by \_\_\_\_\_ on this  
(Institution name)

the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

Signature \_\_\_\_\_ (Board Chair or Owner)



**PROCUREMENT PLAN B**

The \_\_\_\_\_ plan for procuring items for the Child and Adult Care Food  
(Institution Name)  
Program is as follows:

Section A – COMPETITIVE BIDS

All of the items indicated below will be secured by competitive bids:

- |                                          |                                         |
|------------------------------------------|-----------------------------------------|
| _____ Milk                               | _____ Meats                             |
| _____ Bread                              | _____ Pork                              |
| _____ Canned Fruits                      | _____ Beef                              |
| _____ Canned Vegetables                  | _____ Processed Beef                    |
| _____ Frozen Fruits                      | _____ Processed Pork                    |
| _____ Frozen Vegetables                  | _____ Chicken                           |
| _____ Pre-prepared Fruits and Vegetables | _____ Turkey                            |
| _____ Fresh Fruits                       | _____ Fish/Seafood                      |
| _____ Fresh Vegetables                   | _____ Other                             |
|                                          | _____ Paper Products                    |
|                                          | _____ Chemicals                         |
|                                          | _____ Durable Supplies (utensils, etc.) |
|                                          | _____ Equipment                         |
|                                          | _____ Other: (list)                     |
|                                          | _____                                   |

The aggregate amount of purchases for each of the above indicated items is more than \$100,000 for  
\_\_\_\_\_. Therefore, the following procedures will be used:  
(Institution Name)

1. Because of the potential for \_\_\_\_\_ to purchase more than \$100,000<sup>1</sup>  
(Institution Name)  
of any one item, it will be the responsibility of \_\_\_\_\_ to make  
(Title of Person)  
projections of the amounts to be purchased so the correct method of procurement for the item will be followed.
2. Specifications will be prepared and mailed to the potential contractors desiring to bid the products.
3. Competitive bids will be secured \_\_\_\_\_ Monthly; \_\_\_\_\_ Bimonthly; \_\_\_\_\_ Quarterly; \_\_\_\_\_ Semiannually;  
\_\_\_\_\_ Yearly; or \_\_\_\_\_.
4. An invitation to bid will be placed in the news media to publicize the intent of \_\_\_\_\_ to  
purchase needed items.
5. The announcement will contain a general description of items to be purchased, the deadline for submission of  
sealed bids, and the address where the complete specifications and bid forms may be obtained.

<sup>1</sup>100,000 threshold applies to Public and Non Profit organizations. See 7 CFR Part 3016 and 7 CFR 3019  
for additional information.



## PROCUREMENT PLAN B

6. Each vendor will be given an opportunity to provide quotations on the same specifications.
7. The invitation to bid will clearly define the purchase conditions.

The following, as a minimum, shall be addressed:

- Contract period,
  - Date, time, and location of bid opening, benefits to which \_\_\_\_\_  
(Institution)  
will be entitled if the contractor cannot or will not perform as required,
  - Termination provisions and the basis for any settlement,
  - Provision requiring compliance with Executive Order 11246 entitled "Equal Employment Opportunity" as amended by Executive Order 11375 and as supplemented in the Department of Labor Regulation,
  - Provision requiring access by duly authorized representatives of \_\_\_\_\_, State  
(Institution)  
agency, United States Department of Agriculture, or Comptroller General to any books, documents, papers, and records of the contractor which are directly pertinent to the contract,
  - Provision requiring contractor to maintain all required records for three years after final payment and all other pending matters are closed, and
  - Provision requiring the contractor to recognize mandatory standards and policies relating to energy efficiency which are contained in the State Energy Plan issued in compliance with the Energy Policy and Conservation Act (PL 94-165).
8. If any potential bidder is in doubt as the true meaning of specifications or purchase conditions, an interpretation will be provided by the \_\_\_\_\_.  
(Title of Person)
  9. The \_\_\_\_\_ will be responsible for securing all bids.  
(Title of Person)
  10. The bids will be awarded to the lowest and best bid based upon quality, service, availability, and price.
  11. When the lowest bid is not accepted, the reason for unacceptability shall be recorded on the bid tabulations.
  12. The \_\_\_\_\_ is required to sign off on bid tabulations, signifying a review  
(Title of Person)  
and approval of the selections by the \_\_\_\_\_.  
(Title of Person Securing Bids)
  13. The \_\_\_\_\_ will be responsible for documentation that the actual product  
(Title of Person)  
specified is received.
  14. The \_\_\_\_\_ will select the acceptable alternate any time an accepted item is  
(Title of Person)  
not available.
  15. Full documentation as to reason accepted item was unavailable and to the procedure used in determining alternates will be available for audit and review. The person responsible for this documentation is the  
\_\_\_\_\_  
(Title of Person)



**PROCUREMENT PLAN B**

- 16. A new product may be purchased on a one-time basis without competitive bid, if the purpose is to evaluate the product.
- 17. Identification of purchase orders for documentation that these procedures were followed will be responsibility of the \_\_\_\_\_.  
(Title of Person)

**SECTION B – SMALL PURCHASE PROCEDURE**

All of the items indicated below will be secured by competitive bids:

- |                                          |                                         |
|------------------------------------------|-----------------------------------------|
| _____ Milk                               | _____ Meats                             |
| _____ Bread                              | _____ Pork                              |
| _____ Canned Fruits                      | _____ Beef                              |
| _____ Canned Vegetables                  | _____ Processed Beef                    |
| _____ Frozen Fruits                      | _____ Processed Pork                    |
| _____ Frozen Vegetables                  | _____ Chicken                           |
| _____ Pre-prepared Fruits and Vegetables | _____ Turkey                            |
| _____ Fresh Fruits                       | _____ Fish/Seafood                      |
| _____ Fresh Vegetables                   | _____ Other                             |
|                                          | _____ Paper Products                    |
|                                          | _____ Chemicals                         |
|                                          | _____ Durable Supplies (utensils, etc.) |
|                                          | _____ Equipment                         |
|                                          | _____ Other: (list) _____               |

The aggregate amount of purchases for each of the above indicated items is more than \$10,000<sup>1</sup> for \_\_\_\_\_.  
(Institution Name) Therefore, the following procedures will be used:

- 1. Specifications will be prepared and provided to the vendor.
- 2. Each vendor will be contacted and given an opportunity to provide a price quote on the same specification. A minimum of two vendors shall be contacted.
- 3. The \_\_\_\_\_ will be responsible for contacting the vendors when price quotes are needed.  
(Title of Person)
- 4. The price quotes will receive appropriate confidentiality.
- 5. Quotes will be awarded by the \_\_\_\_\_. Quotes awarded will be to the lowest and best quote based upon quality, service, availability, and price.  
(Title of Person)
- 6. The \_\_\_\_\_ will be responsible for documentation that the records show the selection of vendor, reasons for selection, and the names of all vendors contacted and the price quotes from each vendor. Also, identification of the purchase orders involved will be documented.  
(Title of Person)

<sup>1</sup>100,000 threshold applies to Public and Non Profit organizations. See 7 CFR Part 3016 and 7 CFR 3019 for additional information.



**PROCUREMENT PLAN B**

- 7. The \_\_\_\_\_ will be responsible for documentation that the actual product  
(Title of Person)  
specified is received.
- 8. Any time an accepted item is not available, the \_\_\_\_\_ will select the acceptable  
(Title of Person)  
alternate. Full documentation will be made available as in the selection of the acceptable item.
- 9. When the lowest quote is not accepted, the reason for unacceptability shall be recorded on the quote tabulations.
- 10. The \_\_\_\_\_ is required to sign off on quote tabulations signifying a  
(Title of Person)  
review and approval of the selection by the \_\_\_\_\_.  
(Title of Person Securing Quotes)
- 11. A new product may be purchased on a one-time basis without quotes, if the purpose is to evaluate the product.

**SECTION C – NON-COMPETITIVE NEGOTIATIONS**

All of the items indicated below will be secured by non-competitive negotiations:

- |                                          |                                         |
|------------------------------------------|-----------------------------------------|
| _____ Milk                               | _____ Meats                             |
| _____ Bread                              | _____ Pork                              |
| _____ Canned Fruits                      | _____ Beef                              |
| _____ Canned Vegetables                  | _____ Processed Beef                    |
| _____ Frozen Fruits                      | _____ Processed Pork                    |
| _____ Frozen Vegetables                  | _____ Chicken                           |
| _____ Pre-prepared Fruits and Vegetables | _____ Turkey                            |
| _____ Fresh Fruits                       | _____ Fish/Seafood                      |
| _____ Fresh Vegetables                   | _____ Other                             |
|                                          | _____ Paper Products                    |
|                                          | _____ Chemicals                         |
|                                          | _____ Durable Supplies (utensils, etc.) |
|                                          | _____ Equipment                         |
|                                          | _____ Other: (list) _____               |

The items listed in Section C are available only from a single source. Therefore, the following procedure will be used:

- 1. Specifications will be prepared and provided to the vendor.
- 2. The \_\_\_\_\_ will be responsible for the documentation of  
(Title of Person)  
records to fully explain the decision to use the non-competitive negotiations. The records will be available for audit and review.
- 3. The \_\_\_\_\_ will be responsible for documentation that the actual  
(Title of Person)  
product specified is received.



**PROCUREMENT PLAN B**

4. The \_\_\_\_\_ will be responsible for reviewing the procedures to be  
(Title of Person)  
certain all requirements for using non-competitive negotiations are met.

**SECTION D – MISCELLANEOUS PROVISIONS**

\_\_\_\_\_ agrees that the reviewing official of each transaction,  
(Institution)  
\_\_\_\_\_, is responsible for the elimination of the purchasing of duplicate or  
(Title of Person(s))  
unnecessary items and will determine the economy and practicality of lease and purchase of alternatives.

Positive efforts shall be made to utilize small business and minority-owned business sources, giving them the maximum feasible opportunity to compete.

A written Code of Conduct that governs the performance of all persons engaged in purchasing procedures and provides penalties for violation has been developed and becomes a part of this policy.

Any contracts over \$100,000 shall contain a provision which requires compliance with all applicable standards, orders, or requirements issued under Section 306 of the Clean Air Act, Executive Order 11738, and Environmental Protection Agency regulations.

\_\_\_\_\_ further assures that open and free competition exists to the  
(Institution)  
maximum extent possible during the procurement process.

\_\_\_\_\_  
Person who signed CACFP Agreement

\_\_\_\_\_  
Date



## CODE OF CONDUCT

The following conduct will be expected of all persons who are engaged in the award and administration of contracts supported by Child Nutrition Program funds.

No employee, officer, or agent of \_\_\_\_\_  
(Institution)

shall participate in the selection or in the award or administration of a contract supported by program funds if a conflict of interest, real or apparent, would be involved.

Conflicts of interest arise when any of the following has a financial or other interest in the firm selected for the award:

- a. The employee, officer, or agent
- b. Any member of his immediate family
- c. His or her partner
- d. An organization which employs or is about to employ any of the above.

\_\_\_\_\_ employees, agents, or officers shall neither solicit nor  
(Institution)  
accept gratuities favors, or anything of monetary value from contractors, potential contractors, or parties to sub agreements.

The purchase during the program day of any food or service from a contractor for individual use is prohibited.

The outside sale of such items as used oil, empty cans, etc., will be sold by contract between  
\_\_\_\_\_ and the outside agency.  
(Institution)

Failure of any employee to abide by the above-stated code could result in a fine, suspension or both, or dismissal. Interpretation of the code will be given at any time by contacting  
\_\_\_\_\_ at \_\_\_\_\_.  
(Title of Person) (Telephone Number)

\_\_\_\_\_ will not be responsible for any other explanation or  
(Institution)  
interpretation which anyone presumes to make on behalf of the institution.

We the undersigned have read and discussed this code and fully agree to abide by the guidelines set forth in this Code of Conduct.

Signed: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Witness: \_\_\_\_\_