

# Procurement Basics 101

# Objectives

- Define Procurement
- Procurement Regulations
- Procurement Methods
- Small Purchase Thresholds
- Good Procurement Principles
- Good Procurement Practices
- The Importance of Specifications
- Prohibitive Procurement Practices
- A Short Quiz

# What is Procurement?

Procurement refers to the  
purchasing of  
GOODS and SERVICES.

# Why is Procurement Important?

To ensure that the Purchaser receives the best and most responsive product or service at the lowest possible price.



Remember,

PROCUREMENT

IS A

**PROCESS,**

NOT AN EVENT.

# Regulations to Follow

- 7 CFR Part 3016 (public) and Part 3019 (non-public)
- OBM Circulars
  - A-87, A-102, A-110, A-122 and A-133
- 7 CFR Part 210, Part 215, Part 220, Part 225 and Part 226 guidance and instructions
- State law, regulations and policies that are not in conflict with Federal requirements
- Local law, regulations and policies that are not in conflict with Federal requirements



# Federal Procurement Regulations

- Found in CFR 3016.36
- The Federal Small Purchase Threshold is currently set at \$150,000.
- For purchases or contracts above \$150,000, use one of the following types of procurement:
  - Sealed Bids
  - Competitive Proposals
  - Noncompetitive Proposals (rarely used, encouraged or allowed)
- Federal regulations also require that your organization maintains a contract administration system, a written code of standards of conduct for awarding contracts, records of each procurement, and a number of other requirements – even if you're not above the small purchase threshold!

# Informal Procurement – Under the Small Purchase Threshold

You must follow the most restrictive threshold level for your area.

Federal	\$150,000.00	
New Hampshire	\$ amount not set (So Federal \$150,000 threshold applies)	RSA 21-I:11 III(a)—only pertains to State purchases
Local	\$ ????????	



# Procurement Methods

- Informal
  - Under applicable small purchase threshold
  - Still must be competitive
- Formal
  - Over applicable small purchase threshold
  - Can be used if purchase is below small purchase threshold, as well
  - Competitive Sealed Bid Method (IFB)
    - ✓ Award is based solely on lowest price.
  - Competitive Proposal Method (RFP)
    - ✓ Award factors in technical resources and approach, as well as price

# Informal Procurement “Three Bids and a Buy”

## **Develop a Specification**

- Granny Smith, US. No. 1, 5 185 count boxes per week for Sept-Dec

## **Solicit Bids**

- Contact vendors (by phone, fax, email, in-person or via mail) and provide them with specifications (or if calling, read same information to each vendor)

## **Bid Documentation**

- Write down each vendor's bid and constraints; then file it.

# FORMAL PROCUREMENT PROCESS

- Planning
- Writing Specifications
- Advertising the Procurement
- Awarding a Contract
- Managing the Contract

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# Good Procurement Principles

- Fair and Open Competition
- Fairness and Integrity
- Responsive and Responsible Contractors
- Transparency

# Fair and Open Competition

- Competition leads to the acquisition of higher-quality goods and services at the lowest possible price.
- All suppliers are playing on a level playing field
- All have the same opportunity to compete



# Fairness and Integrity

SFAs must make sure that ethical safeguards exist and are maintained at all levels in the organization and in all aspects of the procurement process.

If an unethical action is identified, the SFA must **immediately** take action to correct it.

(For example, no matter how strongly an SFA official may prefer a particular product or supplier, other comparable products and supplies must be given every reasonable consideration.)



# Responsive and Responsible Contractors

- Responsive
  - Contractors whose products or services meet the SFA's specifications
- Responsible
  - Contractors who can and will successfully fulfill the terms and conditions of the proposed procurement

# How can an SFA determine if a contractor is responsible?

Investigate the contractor's:

- ✓ Integrity,
- ✓ Compliance with public policy,
- ✓ Record of past performance,  
and
- ✓ Financial and technical  
resources



# Transparency

- Transparency leads to accountability and cost-effectiveness.
- Everything done by the SFA must be:
  - Clear
  - Above-Board
  - Out in the Open

# Good Procurement Practices

- Thoroughly understand and communicate needs,
- Thoroughly understand the market and seek as many respondents as possible,
- Review current resources and services to ensure that only necessary purchases are made,



## Good Procurement Practices (continued)

- Use procurement process to obtain high-quality goods or services at the lowest possible price,
- Write clear evaluation criteria that are not unduly restrictive,
- Develop a solicitation that contains specifications that are clear and not unduly restrictive,

## Good Procurement Practices (continued)

- Publicize the solicitation appropriately to the widest possible audience,
- Allow adequate time for respondents to prepare responsive bids or proposals,
- Ensure transparency in the opening and evaluating of bids and proposals, and
- **DOCUMENT THE ENTIRE PROCESS**

# Why Are Specifications Important?

- Clearly states what you are looking to purchase
- Everyone bids on the exact same items
- Allows you to articulate your needs

# Writing Clear and Thorough Specifications

- Product Name/Variety
- Grade
- Size
- Quantity
- Quality
- Cleanliness
- Packaging
- Delivery
- Food Safety
- Farm Practices and Characteristics

# Prohibitive Procurement Practices

## Don't:

- Divide the purchase in order to bring the amount of the procurement under the small purchase threshold,
- Award a contract without advertising the solicitation, unless you can justify a sole source or noncompetitive situation due to an emergency,
- Negotiate with one firm prior to evaluating all proposals, or negotiating with any bidder, at any time, when competitive sealed bid procurement is used,
- Award a contract on the basis of only one of the elements in the solicitation,



## Prohibited Procurement Practices (continued)

### Don't:

- Seek price quotes from only one source under small purchase procedures when more than one source is available,
- Contact only suppliers that are related or affiliated with one another,
- Provide only certain firms with the results of pre-bid meetings or answers to bid or proposal questions,
- Allow a potential contractor to draft procurement terms and/or specifications,



## Prohibited Procurement Practices (continued)

### Don't:

- Release the contents of a bid or proposal to other respondents prior to public bid opening or proposal evaluation,
- Use outdated prequalified lists,
- Use lists that do not include enough qualified sources to ensure maximum full and open competition,
- Use lists that were developed without full and open competition, and
- Allow changes after the contract is awarded that may have affected the award if other vendors had known and had had the opportunity to respond to the new provision

A  
Short  
Quiz

If a vendor cannot meet a school's specifications, is the vendor responsive?



# Answer

- If a vendor cannot meet a school's specifications, is the vendor responsive?

NO

If the vendor cannot provide what is asked for, in the form needed, then the vendor is not considered responsive and should not be awarded the contract without further considerations.

Is documentation  
required for informal  
procurements?

# Answer

- Is documentation required for informal procurements?

Yes

Documentation is required for ALL purchases, whether formal or informal.

Can a school award a contract if only one bid was received?

# Answer

- Can a school award a contract if only one bid was received?

Depends.

If only one bid was received, the SFA should take a second look at the specifications and confirm that they were not so restrictive that they prevented fair and open competition.

If the specifications were not restrictive, then the contract may be awarded to the one vendor who submitted a bid.



Can a vendor request  
that a school change  
specifications or  
solicitation language?

# Answer

- Can a vendor request that a school change specifications or solicitation language?

No

A vendor cannot guide the specifications of the SFA's purchase. Nor should the SFA change the specifications or solicitation language after the purchase is advertised based on a vendor's guidance.

Must schools always  
award to the lowest  
bidder?

# Answer

- Must schools always award to the lowest bidder?

Not necessarily.

If the solicitation included other criteria that the award will be based on, then the bid/proposal will be evaluated appropriately and the contract will be awarded to the most responsive vendor. The most responsive vendor may end up not being the low bidder.

# Questions?

For further information, please feel free to contact:

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