

Procurement 201

Objectives

1. Defining Procurement
2. Procurement Process
3. Good Procurement Practices
4. Procurement Methods
5. Contract Requirements
6. Procurement Principles
7. Documentation
8. Managing Your Contract
9. Small Purchase Thresholds
10. Specifications
11. Defining Local
12. Forward Contracts
13. Short Quiz
(if there is time)



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



PROCUREMENT PROCESS

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

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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**

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



Request for Information

This is a good way to find out:

- what vendors are out there,
- where they are, and
- what they can offer.

It is not to be used to issue contracts.

Invitation to Bid

This is used when the contract will be awarded solely on the bid price.

This method is most often used when contracting for GOODS.

Although verbiage can be added to apply geographic preference, the contract award will still be based on the lowest bid or the lowest evaluated bid.



Request for Proposal

This is used when the contract will be awarded on factors other than bid price.

This method is most often used when contracting for SERVICES.

Contract Requirements

Contracts awarded using IFB or RFP require:

- The use of good procurement principles
- Documentation
- Managing the contract

Good Procurement Principles

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

Documentation

Documentation to be kept for the standard 3+ the current years, would include, but not be limited to:

- Identifying the Need and Planning the Purchase
- Specifications
- IFB/RFP
- Advertisement
- Vendor Responses
- Criteria used to evaluate Vendor Responses
- Contract Award Justification
- Contract
- Managing the Contract

Managing the Contract

Ongoing proof that what was contracted for is what is being delivered, whether a Good or a Service.

Documentation can include:

- Packing Slips
- Invoices
- Reports
- Correspondence between the contractor and you
- Discounts, Rebates and Credits



ANY
QUESTIONS
SO FAR?

Small Purchase Threshold

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

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

If your city/town/county has not set their own small purchase threshold, then you would go by the federal threshold.



ANY QUESTIONS
ABOUT
THRESHOLDS?

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

Specifications are needed for both the Informal and the Formal procurement methods.

How can you buy if you don't know what you want or need!



Adding Local or Geographic Preference to Your Specifications

Geographic Preference may only be used for unprocessed items.

“Unprocessed” means that the agricultural product retains its inherent characteristic.

These processes are allowed:

- Cooling, refrigeration, freezing
- Peeling, slicing, dicing, cutting, chopping, shucking, grinding
- Making patties (no additives)
- Drying/dehydrating
- Washing, packaging, bagging, vacuum packing
- Adding preservation to prevent oxidation
- Butchering livestock or poultry
- Pasteurizing

Who defines “Local?”

YOU DO!

However, your definition cannot restrict fair and open competition.

For example, you can include specifications such as “harvested within 48 hours of delivery” that will increase the chances that a local vendor will win the contract, but you cannot say “Only bids from farms within Concord will be accepted.”



Ways to Define “Local”

First, identify the sources available to you.

(Perhaps issue a RFI, or Request for Information, before you start the procurement process, just to see what is out there.)

Second, breakdown your definition by one of the following choices:

- Region
- State
- Mileage

or vary by:

- Product
- Season
- Special Event



How to Incorporate a Geographic Preference

- Define Local
- Decide how much “preference” local products will receive
- Determine what type of procurement method to use
- Be sure your solicitation makes perfectly clear how the preference will be applied

Example 1:

10% price preference will be awarded to any bidder that can source at least 60% of the products from within the State.

Kathy's Farm wins the contract, even though they could not meet the 60% local product preference.

	Kathy's Farm	Cheri's Farm	Tami's Farm
Contract Price	\$31,000	\$35,000	\$34,000
% F&V Able to Provide from within the State	20%	80%	50%
Geographic Preference Points to Respondent able to meet >60% Local Items	No	Yes (10% pref)	No
Price for comparison	\$31,000	\$31,500	\$34,000

Example 2:

10 points price preference will be awarded to any bidder that can source at least 60% of the products from within the State.
(1 point equals 1 cent)

Cheri's Farm wins the contract.
(She is still paid \$2.05 per pound.)

Apples	Kathy's Farm	Cheri's Farm	Tami's Farm
Price per Pound	\$1.97	\$2.05	\$2.03
Met Geographic Preference?	No	Yes (10 points)	No
Price with Preference Points	\$1.97	\$1.95	\$2.03

Don't Forget to be Specific

When purchasing local foods, consider specifying:

- Degree of ripeness or maturity
- Freshness (age)
- Condition upon receipt of product
- Temperature
- Size uniformity
- Other quality standards (such as “organic,” “no-till,” “no-spray,” etc.)



ANY QUESTIONS
ABOUT
SPECIFICATIONS?

Forward Contracts

- Commit to purchasing product before harvest, even before planting
- Provides producer with a guaranteed customer
(although payment is not made until delivery of product)
- Ensures the farmer will plant and pack the supply needed.

Before entering into a Forward Contract,
be sure you understand the risks,
both to the district and to the supplier.



The Benefits to Forward Contracts

Forward contracting allows producers to **plan** for large demand and **plant** according to a school district's needs.

Forward contracting is permitted under Federal regulations, but districts selecting this method must acknowledge the risk and prepare a contingency plan if the producer experiences crop loss.

A forward contract may be established through an informal or formal procurement.



Forward Contract Specifications

- Identify what product is required
 - Identify how much product is required
 - Identify how the product is to be delivered
 - Identify when the product is to be delivered
 - Identify when payment for the produce is issued
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- ✓ Identify the contingency plan, just in case there is a crop failure.

ANY QUESTIONS
ABOUT
FORWARD CONTRACTS?

A
Short
Quiz

Procurement refers to
only the purchase of
Goods.

Answer

- Procurement refers to only the purchase of Goods.

NO

Procurement refers to the purchasing of
GOODS and SERVICES

I can purchase anything I want from anyone I want, as long as it falls below the applicable small purchase threshold.



Answer

I can purchase anything I want from anyone I want, whenever I want, as long as it falls below the applicable small purchase threshold.

No

You must follow proper Procurement Procedures.

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

I can use a RFI to award
a contract.

Answer

I can use a RFI to award a contract.

No.

A Request for Information is issued to find who and what is out there. Vendor responses are not binding.

A Request for Proposal or Invitation to Bid must be issued for purchases above the Small Purchase Threshold, or individual requests (phone, email, etc) must be made for purchases below the Small Purchase Threshold.



If there is a particular farmer in town that I want to buy apples from, I can define “local” to exclude anyone else from bidding.

Answer

If there is a particular farmer in town that I want to buy apples from, I can define “local” to exclude anyone else from bidding.

No.

The definition for “Local” must be broad enough to not restrict Fair and Open Competition.

Questions?

For further information, please feel free to contact:

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<http://www.education.nh.gov/program/nutrition>