
PROCUREMENT in the 21st CENTURY

Participant's Workbook

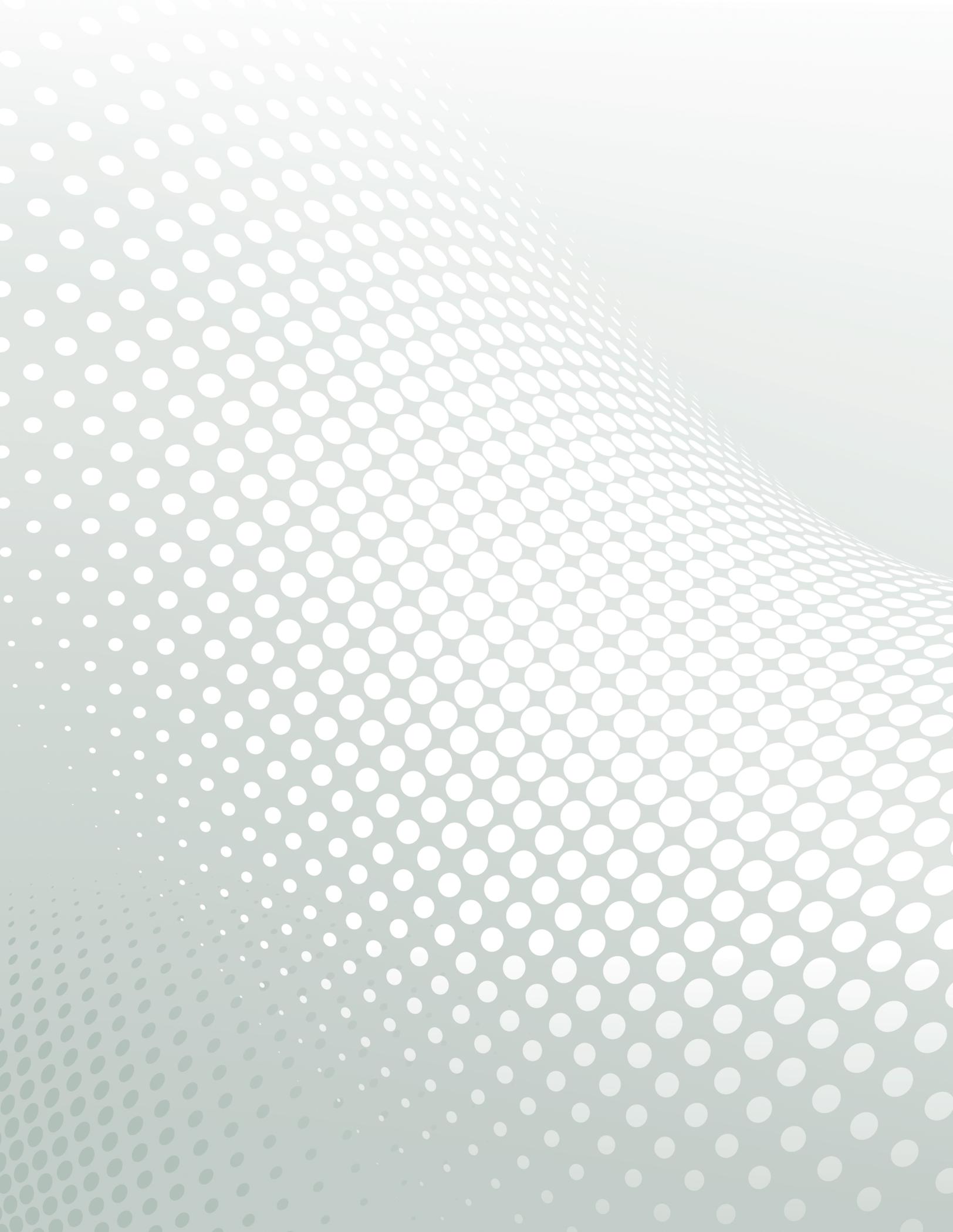


I N S T I T U T E O F

child nutrition

R E S O U R C E S • T R A I N I N G • R E S E A R C H

The University of Mississippi
School of Applied Sciences



PROCUREMENT in the 21st CENTURY

Participant's Workbook

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Institute of Child Nutrition

The University of Mississippi

School of Applied Sciences

Building the Future Through Child Nutrition

The Institute of Child Nutrition was authorized by Congress in 1989 and established in 1990 at The University of Mississippi in Oxford and is operated in collaboration with The University of Southern Mississippi in Hattiesburg. The Institute operates under a grant agreement with the United States Department of Agriculture, Food and Nutrition Service.

PURPOSE

The purpose of the Institute of Child Nutrition is to improve the operation of child nutrition programs through research, education and training, and information dissemination.

MISSION

The mission of the Institute of Child Nutrition is to provide information and services that promote the continuous improvement of child nutrition programs.

VISION

The vision of the Institute of Child Nutrition is to be the leader in providing education, research, and resources to promote excellence in child nutrition programs.

This project has been funded at least in part with Federal funds from the U.S. Department of Agriculture, Food and Nutrition Service through an agreement with the Institute of Child Nutrition at The University of Mississippi. The contents of this publication do not necessarily reflect the views or policies of the U.S. Department of Agriculture, nor does mention of trade names, commercial products, or organizations imply endorsement by the U.S. government.

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Terms and Definitions

Agent

An agent is a person who is authorized to act for another through employment, contract, or apparent authority. A school food authority (SFA) can contract with a food service management company (FSMC) to manage its food services and act as its procurement agent for acquiring its goods and services. The SFA must ensure that the procurement solicitation and contract used to hire the FSMC identifies the scope of duties that must be fulfilled and the responsibilities as the agent of the SFA.

Aggregate Award

An aggregate award is the process of awarding a contract by categories of like items. Examples include awarding all the canned foods, staples, frozen foods, milk, other dairy products, or bakery items for a specific period of time.

Agricultural Marketing Service (AMS)

The U.S. Department of Agriculture's Agricultural Marketing Service (AMS) administers programs that facilitate the efficient, fair marketing of U.S. agricultural products, including food, fiber, and specialty crops.

Arms-Length Transaction

An arms-length transaction is a transaction in which the parties are dealing from equal bargaining positions. Neither party is subject to the other's control or dominant influence, and the transaction is treated with fairness, integrity, and legality.

As Purchased (AP) and Edible Portion (EP)

The As Purchased (AP) weight is the amount purchased. The Edible Portion (EP) weight is the amount of product that can be consumed. The AP weight is greater than the EP weight. The EP is the quantity served.

Average Daily Participation (ADP)

The Average Daily Participation (ADP) for the National School Lunch and School Breakfast Program is based on attendance rather than enrollment. Calculating ADP in this manner is considered to be fairer to schools as it includes only children that eat lunch/breakfast in the calculation and excludes children who do not eat lunch/breakfast (i.e., part-day kindergarteners).

Bond

A bond is an insurance agreement pledging surety for financial loss caused in connection with the contract. Essentially, a bond provides assurance to the school district that, if a loss occurs in connection with a contract related to their school nutrition operations, the loss will be covered to the extent agreed upon in the bond.

Brokers

Brokers are independent sales agents who negotiate sales for manufacturers by working with food distributors and school nutrition operations. The broker assists manufacturers by introducing new products to the school nutrition market. Brokers can assist the SFA staff by providing samples for taste testing to the districts.

Buy American

The Buy American provision, as defined in section 12(n) of the National School Lunch Act, requires schools to purchase, to the maximum extent practicable, domestic commodities and products. A domestic commodity or product means an agricultural commodity that is processed in the United States, and/or a food product that is processed in the United States substantially using agricultural commodities that are produced in the United States. Purchases made in accordance with the Buy American provision must still follow the applicable procurement rules calling for free and open competition. Any entity that purchases food or food products on behalf of the school food authority (SFA) must follow the same Buy American provisions that the SFA is required to follow.

Capitalization

Capitalization is the amount and source of money needed to start and operate a business such as a cooperative purchasing group.

Child Nutrition (CN) Labeling Program

The U.S. Department of Agriculture (USDA), the Child Nutrition (CN) Labeling Program provides food manufacturers the option to include a standardized food crediting statement on their product label. Labels must be authorized by the Food and Nutrition Service (FNS) prior to use, and manufacturers must have quality control procedures and inspection oversight that meet the FNS requirements. Products produced in accordance with the CN Labeling Program are generally purchased by providers for USDA meal programs.

For additional information see
<http://www.fns.usda.gov/cnlabeling/child-nutrition-cn-labeling-program>

Code of Conduct (Code of Standards of Conduct)

A code of conduct is a set of rules outlining the responsibilities of, or proper practices for, an individual or organization. Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. A SFA must have a code of conduct governing the performance of the officers, employees, or agents engaged in contract awards and administration when the contract is funded in whole or in part by Food and Nutrition Service (FNS) program funds. In addition, this code governs the methods of procurement, establishes the requirement that the SFA perform a cost or price analysis for every procurement (including contract modifications), and determines which contract clauses and certifications are required in the SFA's contracts.

Collective Purchasing

Collective purchasing is sometimes referred to as cooperative purchasing and occurs when a group of consumers buys from a particular supplier in order to reduce costs and increase quality.

Competitive Proposals (previously known as Competitive Negotiation)

Competitive proposals, [i.e. a Request for Proposals (RFP)], solicit a technical proposal that explains how the prospective vendor will meet the objectives of the solicitation and a cost element that identifies the costs to accomplish the technical proposal. While price alone is not the sole basis for award, price remains the primary consideration when awarding a contract under the competitive proposal method.

Competitive Sealed Bidding

Competitive sealed bidding is a formal method of procurement during which sealed bids are publicly solicited, through an Invitation for Bid (IFB), resulting in the award of a fixed price contract to the responsible vendor/bidder whose solicitation is responsive to the IFB, conforms to all the material terms and conditions of the IFB, and is lowest in price. In this case, the IFB must be publicly advertised, and solicitation/proposals must be petitioned from an adequate number of known suppliers, providing them with sufficient time to respond prior to the date set for opening the solicitations.

Conflict of Interest

A conflict of interest is any action that allows a person to benefit at the expense of the public interest or at the expense of their employer.

Contract/Bidder

A contract is a formal, legally enforceable agreement between a buyer (client) and a seller (vendor) that establishes a legally binding obligation for the seller to furnish goods and/or services and for the buyer to compensate the seller. A contract must clearly and accurately describe the goods, products, and/or services to be delivered or performed and the terms and conditions of the agreement. In the case of school nutrition programs, a contract is executed by the authorized representatives of the SFA and the vendor. It calls for the provision of services, materials, supplies, and/or equipment by the vendor in accordance with all conditions and specifications in the solicitation/proposal documents for a price to be paid by the SFA prior to execution.

Contract Administration System

The contract administration system refers to the policies and procedures the school food authority has in place to ensure that vendors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Contracting Agency

A contracting agency is the grantee or subgrantee that awards the procurement contract.

Cooperative Purchasing

Cooperative purchasing occurs when a group of people join together to accomplish all or part of the steps in the purchasing task. In this reference, a purchasing cooperative consists of a group of school districts. Cooperative purchasing is a system that involves a group that purchases products, helps to reduce costs, and improves the quality of products and services available to members.

Cost Index

A cost index is a price adjustment based on increases or decreases in labor or material cost standards or indexes that are specifically identified in the fixed contract. When using this type of contract, it is important to clearly state that price adjustments should reflect both increases and decreases in the identified index.

Additional information on government types of contracts can be located at <http://www.cnpp.usda.gov/USDAFoodPlansCostofFood/reports>

Cost Reimbursable Contract

A cost reimbursable contract is a formal, legally enforceable contract that reimburses the vendor for costs incurred under the contract but does not provide for any other payment to the vendor, with or without a fixed fee. In a cost reimbursable contract, allowable costs will be paid from the nonprofit school nutrition account to the vendor, net of all discounts, rebates, and other applicable credits accruing to or received by the vendor.

Distributor

A distributor is a commercial food company that purchases, receives, and/or stores commercial food products. Distributors sell, deliver, and bill the recipient agency for goods and/or services provided. A distributor sells the products made by manufacturers.

Electronic/E-Procurement

Electronic Procurement is the term used to describe the use of electronic methods at every stage of the purchasing process: identification of solicitation requirements, payment, and potentially establish contracts.

Ethics

Ethics can be defined as the moral standards individuals use to guide decisions in their personal and professional lives. In the business world, ethical behaviors are practices that promote free and open competition. School nutrition professionals have a responsibility to act ethically and in accordance with all federal, state, and local guidelines.

Escalator/De-escalator Clause or Market-based Pricing

Escalator/de-escalator clause or market-based pricing are predetermined provisions in a contract stipulating specific conditions for an increase or decrease in price.

Execution of Contracts

To execute a contract is to complete and formally sign the legal document. For school nutrition purposes, it is the official signing of the contract by the school food authority and the vendor which indicates that the contract has begun (or has been renewed). Before any contract or amendment to a new or existing food service management company (FSMC) contract is executed, a state agency must review and approve the contract terms and assure that the SFA has incorporated all state agency required changes into the contract or amendment.

Feasibility Analysis

A feasibility analysis is an evaluation or analysis that is conducted to assess the potential impact of a proposed project or program. Its purpose is to assist in the decision-making process to determine whether to implement the project or program.

First-In-First-Out (FIFO)

First-in, first-out (FIFO) is the process of rotating the older product to the front and the newer items to the back of the shelf. The age of the item is based on the manufacturer's pack date and not the date on the receipt.

Fixed Price (Fee)

A fixed fee is an agreed upon amount of money that is fixed at the inception of a cost reimbursable contract. In a cost reimbursable contract, the fixed fee includes the vendor's direct and indirect administrative costs and profit allocable to the contract.

Food and Nutrition Service (FNS)

The Food and Nutrition Service (FNS) administers the nutrition assistance programs of the U.S. Department of Agriculture (USDA). The mission of FNS is to provide children and needy families with better access to food and a more healthful diet through its food assistance programs and comprehensive nutrition education efforts.

Food Service Management Company (FSMC)

A food service management company (FSMC) is defined as any organization, whether commercial or nonprofit, that contracts with a school food authority (SFA) to manage any aspect of the school nutrition program (SNP).

Food Supply Chain

The food supply chain is a group of stakeholders who have specific responsibilities involved in the procurement process. Each stakeholder operates as an independent business, and each has specific sustainability goals. The school nutrition food chain includes the SFA staff, the distributor, the manufacturer, and the U.S. Department of Agriculture (USDA).

Forecasting

Forecasting is the process of analyzing current and historical data to determine future trends. In the case of school nutrition programs (SNPs), forecasting involves predicting and estimating the goods, works, and services needed in specified areas for the coming year, and/or assessing needs by reviewing current procurement activities. Forecasting allows for procurement plans to evolve each fiscal year.

Free and Open Competition

Free and open competition means that all suppliers are playing on a level playing field and have the same opportunity to compete. Procurement procedures may never unduly restrict or eliminate competition.

Grade Standards

Grade standards are USDA quality standards and are based on measurable attributes that describe the value and utility of the products. U.S. Grade Standards provide a uniform language for describing the quality and condition for meat, poultry, fresh fruits, and vegetables, in addition to processed fruits and vegetables. While safety inspections are mandatory, the federal government does not require that all food products are graded.

Grantees and Subgrantees

A grantee is the government or other legal entity to whom a grant is awarded and is accountable for the use of the funds provided. The grantee is the entire legal entity even if only a particular component of the entity is designated in the grant award document. A subgrantee is the government or other legal entity to which a subgrant is awarded and is accountable to the grantee for the use of the funds provided.

Group Buying Service (GBS)

A group buying service (GBS) is a commonly used term to refer to an organization that buys in larger quantities on behalf of other entities. A GBS may call itself many different names, and may be referred to a purchasing cooperative, purchasing consortium, group buying/purchasing organization, etc. A GBS can be for-profit or not-for-profit. It is vital that all procurement transactions be conducted in a manner providing free and open competition. This principle fully applies to purchases made through any GBS.

Institute of Child Nutrition

The Institute of Child Nutrition (ICN) is located at The University of Mississippi, Oxford campus. The mission of the ICN is to provide information and services that promote the continuous improvement of child nutrition programs.

Invitation for Bid (IFB)

An Invitation for Bid (IFB) is a type of solicitation document used in competitive sealed bidding in which the primary consideration is cost; the expectation is that competitive bids will be received and an acceptance (award) will be given to the responsive and responsible vendor/bidder whose bid is lowest in price. An IFB is a formal method of procurement that uses sealed bidding and results in a fixed price contract with or without adjustment factors. The IFB must be publicly advertised, and solicited from an adequate number of known suppliers while providing them with sufficient time to respond prior to the date set for opening the bids. Also, the IFB should describe the minimum standards expected of a responsible vendor/bidder in measurable terms.

Just-in-Time (JIT)

Just-in-time (JIT) is the delivery of food and supplies just in time for food preparation. Deliveries are usually scheduled once per week or longer based on the most cost effective delivery size.

Lead Time

Lead time is the amount of time necessary for the distributor to prepare and deliver the product to the district. Generally, the more lead time that can be provided to a distributor, the most cost-effective price for the product. A longer lead time may be necessary for special ordered and fresh products.

Less-than-Arms-Length Transaction

A less-than-arms-length transaction occurs when a person responsible for making a purchase and appears to have a stake in the outcome is able to control or substantially influence the actions of others. Less-than-arms-length transaction may include agreements between divisions of an organization; organizations under common control through common officers, directors or members; and an organization and a director or employee of the organization and his immediate family.

Manufacturers

Manufacturers are the companies responsible for processing raw products, developing new products, and sending finished products to distributors. In some cases, customers are allowed to directly purchase from the manufacturer when volume warrants.

Material Change

A material change is a change made to a contract after the contract has been awarded that alters the terms and conditions of the contract substantially enough, that, had other respondents (vendor/bidder) known of these changes in advance, they may have bid differently and more competitively.

Micro-Purchases

Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,000 (or \$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable. (CFR 200.320)

Noncompetitive Proposal

Noncompetitive proposal is a procurement method used when competition is deemed inadequate. Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals, and one of the following circumstances applies:

- The item is available only from a single source.
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation.
- The awarding agency authorizes noncompetitive proposals.
- After solicitation of a number of sources, competition is determined inadequate.

Negotiations must include both price and terms using the same procedures that would be followed for competitive proposals.

Non-bid Item

A non-bid item is a food or service good that is not part of the specifications for the bid.

Nonprofit School Nutrition Account

The nonprofit school nutrition account is the restricted account in which all of the revenue from the school nutrition operations conducted by the school food authority principally for the benefit of school children is retained. This account is used only for the operation of or improvement of the nonprofit school nutrition operation.

Offeror

An offeror is the entity that responds to a Request for Proposal (RFP) for the purpose of providing a product or service. An offeror is also referred to as a respondent or vendor.

Office of Management and Budget (OMB)

The Office of Management and Budget (OMB) is the largest component of the Executive Office of the President. The Office of Management and Budget supports federal agencies and issues broad, government-wide financial requirements. The OMB circulars explain these financial requirements that affect the school nutrition programs (SNPs) and other federally-funded programs.

Online Bidding Service

An online bidding service is a website through which a purchasing cooperative can make a solicitation via the Internet.

Ordering

Ordering is the process of communicating the name of the product, the product specifications, the code numbers, the quantities, and the delivery date and time for a product to be delivered by the vendor.

Order Placement Calendar

An order placement calendar is a planning tool that identifies when to order food and supplies for the school nutrition program. The calendar includes the name of the vendor, the menu period dates, the date the item is to be served, the order date, and the required delivery date. Generally, the calendar is developed annually and is updated accordingly as items are added or deleted from the menu.

Par Stock

Par stock is a predetermined inventory quantity for a particular item and serves as an indicator of when to reorder the product.

Performance-Funded Grants

A grant is an award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the federal government to an eligible grantee. A local program operator's entitlement to funding from its administering agency is generally a function of the categories and types of service provided. Therefore, because reimbursement in the school nutrition programs (SNPs) is based on the number of meals served, the programs are said to be performance funded.

Procurement

Procurement is a multi-step process for obtaining the most responsive goods, products, and/or services at the best possible price. The steps in this process are planning, writing specifications, advertising the procurement, awarding the contract, and managing the contract.

Proprietary Products

Proprietary products are manufactured products ordered strictly for a particular program or that are unique to a manufacturer.

Purchasing Association

A purchasing association is the relationship between a manufacturer, a distributor, and a cooperative purchasing group.

Rebates

Rebates are monetary returns. The regulations require vendors under cost reimbursable contracts to provide sufficient information to permit the SFA to identify allowable and unallowable costs, as well as the amount of all such discounts, rebates, and other applicable credits on invoices and bills presented for payment to the SFA. [7 CFR 210.21(f), 215.14a (d) and 220.16(e).]

Recipient Agency (RA) Agreement

Agencies or organizations that receive USDA Foods, in accordance with an agreement signed with the distributing agency or with another recipient agency. This kind of arrangement requires the approval of the distributing agency should be used after the agency has completed its procurement process. Once approved, the Recipient Agency may purchase end products from that processor.

Request for Proposal (RFP)

A Request for Proposal (RFP) is a type of solicitation document used for the formal procurement method of competitive proposals. The RFP identifies the goods and services needed and all significant evaluation factors. The RFP is publicized and is used to solicit proposals from a number of sources. Negotiations are conducted with more than one of the sources submitting proposals, and either a fixed price or cost reimbursable type contract is awarded. Competitive proposals may be used if conditions are not appropriate for the use of competitive sealed bids.

Respondent

A respondent, also referred to as a vendor/bidder, is a commercial enterprise, a public or nonprofit private organization, or an individual that responds to a solicitation and potentially enters into a contract with the SFA. To be considered responsible, a vendor must be capable of successfully performing under the terms and conditions of the contract.

Responsive and Responsible Respondent (Vendor/Bidder)

To be considered responsive, a respondent must submit a response to the Invitation for Bid (IFB) or Request for Proposal (RFP) that conforms to all material terms and conditions of the solicitation. To be considered responsible, a respondent must be capable of successfully performing under the terms and conditions of the contract. In order to be awarded a contract, a respondent must be responsive and responsible.

Revenues (Nonprofit School Nutrition Operations)

When applied to nonprofit school nutrition operations, revenue means all monies received or accrued to the nonprofit school nutrition program (SNP) in accordance with the state agency's established accounting system, including but not limited to, children's and adults' payments, earnings on investments, other local revenues, state revenues, and federal cash reimbursements. Revenues received by the nonprofit school nutrition account are to be used only for the operation or improvement of such programs.

Run Number

The production run number is the code that identifies the production plant, the date, the shift, and the production line that manufactured the product. This number is not printed on the label but rather stamped on the case at the time the product is manufactured.

School Food Authority (SFA)

The School Food Authority (SFA) is the governing body responsible for the administration of one or more schools, and has legal authority to operate the National School Lunch Program and/or School Breakfast Program.

School Food Authority (SFA) Staff

The SFA staff is a group of internal stakeholders representing the school district's best interest. The team may include the school food authority, the school nutrition director, the managers, the school nutrition staff, the business manager, a procurement officer, and the school board members.

School Nutrition Association (SNA)

Recognized as the authority on school nutrition, the School Nutrition Association (SNA) has been advancing the availability, quality, and acceptance of school nutrition programs (SNPs) as an integral part of education since 1946. The School Nutrition Association is the only professional association dedicated solely to the support and well-being of school nutrition professionals in advancing good nutrition for all children.

School Nutrition Programs (SNPs)

School nutrition programs (SNPs) are federally funded programs and include: School Breakfast Program (SBP); National School Lunch Program (NSLP); After School Snack Program (ASSP); Fresh Fruit and Vegetable Program (FFVP); Special Milk Program; Seamless Summer Option (SSO); and Summer Food Service Program (SFSP).

Small Purchase Procedures

Small purchase procedures, also known as informal procurement, are those relatively simple and informal procurement methods for securing services, supplies, or property that may be used when the anticipated acquisition will fall below the small purchase threshold. The small purchase threshold has been changed from \$100,000 to \$150,000. State and local regulations often set lower small purchase thresholds that are more restrictive than the federal level. In applying the small purchase threshold, the school food authority must adhere to the most restrictive, lowest limit set. If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

Sole Source Procurement

Sole source procurements in the school nutrition program (SNP) occur only when the goods or services are available from only one manufacturer and/or through only one distributor or supplier. Sole source describes a condition of the procurement environment. In a true sole source situation, conducting a traditional solicitation (sealed bid, competitive proposal, or small purchase) is a meaningless act because the element of competition will not exist. When faced with an actual sole source situation, a school food authority must first obtain state agency approval, and then go directly to the one source of supply to negotiate terms, conditions, and prices.

Solicitations

A solicitation is a document used by the school food authority to acquire goods, products, and/or services. Solicitations must incorporate a clear and accurate description of the technical requirements for the material, product, and/or service to be procured. Solicitations must also identify all the requirements that the respondents (offerors) must fulfill and all other factors to be used in evaluating the solicitations or proposals.

Solicitation Protest Procedures

An interested party may protest a solicitation or other request for offers for a contract for the procurement of property or services; the cancellation of such a solicitation or other request; an award or proposed award of such a contract; and a termination of such a contract, if the protest alleges that the termination was based on improprieties in the award of the contract. Grantees and subgrantees must have protest procedures in place to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency.

Food and Nutrition Service (FNS) will accept a solicitation protest from a protestor only if the following conditions have been met.

- The contract was made in connection with the school nutrition program (SNP).
- The protestor has exhausted all administrative remedies with the grantee and subgrantee before pursuing the protest with FNS.
- Violations of federal law or regulations and the standards of this section exist (violations of state or local law will be under the jurisdiction of state or local authorities).
- Violation of a grantee's or subgrantee's protest procedures exists for failure to review a complaint or protest. Protests received by the federal agency other than those specified above will be referred to the grantee or subgrantee.

Solicitation Template

A solicitation template, sometimes referred to as a boiler plate, contains standard language included in the solicitation documents. The template should be reviewed by legal counsel for compliance to federal, state, and local requirements.

Specification

A specification is a concise statement of a set of requirements to be satisfied by a product, material, and/or process.

Standardized Recipe

A standardized recipe is a recipe that has been tried, adapted, and retried several times for use by a given school nutrition operation. The recipe has been found to produce the same good results and yield every time when the exact procedures are used with the same type of equipment and the same quantity and quality of ingredients.

Standards of Identity (SOIs)

Standards of Identity (SOIs) for foods are federal requirements that define what a food product is, its name, and the ingredients that must or may be used in the manufacture of that food. SOIs protect consumers by ensuring labels accurately describe the products contained within the package.

State Agency (SA)

The state agency (SA) is the agency in the state responsible for administering the Child Nutrition Programs.

Stock Keeping Units (SKUs)

A stock keeping unit is a unique identifier for each unit of product. The SKU is usually the product code number.

Transparent

Transparent means that everything done by the SFA must be clear, forthright, and out in the open.

Transportation

Transportation is the process of moving food and non-food products from one site to another.

United States Department of Agriculture (USDA)

The USDA is the federal department responsible for administration of the nation's child nutrition and USDA Foods distribution programs. The Food Distribution Division of USDA's Food and Nutrition Service (FNS) is responsible for coordinating the distribution of USDA Foods to state agencies that oversee the SNP in their states. The FNS administers the nutrition assistance programs of the USDA. The mission of FNS is to provide children and needy families with better access to food and a more healthful diet through its food assistance programs and comprehensive nutrition education efforts.

USDA Foods

USDA Foods are available to any school that participates in a USDA school nutrition program. USDA foods account for 15% to 20% of the foods in SNPs and are 100% American grown.

Value-Analysis Process

A value-analysis process is a study of the total cost and total savings to the buyer on each purchase to determine if any specific cost is high for the value received.

Velocity Report

A velocity report provides the SFA the quantity, the date of purchase, and other valuable information pertaining to the purchase of products from a vendor. The report can serve as a tool for the SFA staff when forecasting the needs of the district and documenting solicitation integrity. Upon request, the distributor can generate a velocity report for products purchased during a specific time period.

Vendor

A vendor/bidder, also referred to as a respondent, is a commercial enterprise, public or nonprofit private organization, or individual that enters into a contract with a school food authority.

7 CFR Part 3015

Included in USDA's regulations is the 7 CFR Part 3015 (Uniform Federal Assistance Regulations) regarding the administration of grants. Subpart S sets forth the procurement provisions and Subpart T sets forth the cost principles. <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=c3b7f45761b2f1f1364911953018f084&rgn=div5&view=text&node=7:15.1.7.2.3&idno=7>

7 CFR Part 3016

Governmentwide Debarment and Suspension-Nonprocurement USDA regulations, 7 CFR Part 3016 (Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments) explains state and local legal requirements.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=d5ad57a741650586074b3c9f00fcd888&rgn=div5&view=text&node=7:15.1.7.2.4&idno=7>

7 CFR Part 3017

Government wide Debarment and Suspension-Nonprocurement USDA regulations, 7 CFR Part 3017, explains limitations regarding debarment and suspension. http://www.access.gpo.gov/nara/cfr/waisidx_01/7cfr3017_01.html

7 CFR Part 3018

Governmentwide Debarment and Suspension-Nonprocurement USDA regulations include 7 CFR Part 3018 (New Restrictions on Lobbying) explains limitations regarding lobbying activities.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=3ab3b64358512315f9684af1843bc32c&rgn=div5&view=text&node=7:15.1.7.2.6&idno=7>

Professional Standards and Competencies, Knowledge, and Skills

Professional Standards – Operations

- Purchasing/Procurement (2400)
- Product Specification (2410)
- Bid Solicitation and Evaluation (2420)
- Purchase Food, Supplies, and Equipment (2430)
- Food and Supplies Orders (2440)
- Cooperative Purchasing Groups (2450)
- Contracts with Food Service Management CO. (2460)

Competencies, Knowledge, and Skills – 8.1

Essential Knowledge Statements

- Knows ethical practices for procurement.
- Knows the relationship of standardized recipes to accurate ordering and inventory management.
- Knows methods to project food and supply needs.
- Knows fundamentals of developing specifications for food products, supplies, and equipment that incorporate quality and/or performance indicators.
- Knows guidelines for procurement and processing of USDA foods following federal and state regulations.
- Knows basic principles of requests for proposals (RFP), formal bidding, and informal bidding (quotes).
- Knows the structure of procurement channels from manufacturer to the school nutrition program for food, supplies, and equipment.

Skill Statements

- Develops and monitors procurement procedures for school nutrition sites to order, receive, and store products.
- Evaluates current purchasing practices to determine effectiveness.
- Develops appropriate bid documents that include product specifications, usages, and special instructions/conditions following federal, state, and local regulations.
- Evaluates bids/quotes and makes purchase recommendations following federal, state, and local regulations.
- Analyzes technical support, training availability, maintenance service availability, and cost of upgrades when considering new purchases.
- Utilizes manufacturers, local representatives, and dealers to answer questions and provide cost information on available equipment.
- Evaluates purchasing methods (e.g., bid buying, prime vendors, group purchasing) and selects most appropriate method for the school nutrition program.
- Develops product specifications that ensure broad customer acceptability and nutrition integrity utilizing pre-bid conferences, product testing/screening, and product comparison.
- Monitors current market conditions that influence procurement decisions (e.g., price, supply, demand).
- Updates product knowledge by communicating with industry and other foodservice professionals.

Sources:

Professional Standards for School Nutrition Professionals located at
<http://professionalstandards.nal.usda.gov/>

Competencies, Knowledge, and Skill Statements for District-Level School Nutrition Professionals in the 21st Century located at www.theicn.org

Procurement in the 21st Century

Objectives

Section 1—Procurement Principles Objectives

- Discuss good procurement practices.
- Indicate ethical behaviors in sample scenarios.
- Outline components of an effective procurement system.
- Compare stakeholders' responsibilities.
- Review basic concepts of inventory management.
- Examine the features of a Child Nutrition Label.
- Discuss product categories descriptions.
- Discuss the benefits of conducting three types of product screenings.
- Create sample appearance screening criteria.
- Practice writing a mock product description.
- Discuss the importance of accurately forecasting products.
- Calculate the cost of a product.

Section 2—Competitive Purchasing Objectives

- Discuss small purchases, Invitation for Bids, and Request for Proposals.
- Evaluate sample Request for Proposals criteria.
- Discuss how to apply geographical preferences in a solicitation document.

Section 3—Solicitation for Goods, Products, and Services Objectives

- Discuss the elements of a solicitation document.
- Create a mock procurement timeline.
- Discuss the advantages and disadvantages of different solicitation documents.
- Practice writing a sample solicitation document.

Section 4—Contracts Objectives

- Discuss the purpose of contracts.
- Discuss the advantages and disadvantages of different types of contracts.
- Discuss basic types of USDA Foods processing contracts.

Section 5—Cooperative Purchasing Groups Objectives

- List the advantages and disadvantages of joining a cooperative purchasing group.
- Identify considerations before forming a cooperative purchasing group.
- Review basic information on group buying service (GPS) and food service management companies (FSMCs).

Section 1—Procurement Principles

Handouts

- Good Practices of Fairness and Integrity
- An Effective Procurement System
- Stakeholder Responsibilities Worksheet
- Child Nutrition (CN) Labeling Product
- Product Categories Chart
- Product Screening Chart
- Appearance and Taste Screening Criteria Worksheet Example
- Product Description Summary Chart
- Mock Bean Burrito Product Description Worksheet
- Purchasing Decisions Worksheet
- Forecasting Questions: Past, Present, and Future Worksheet
- Sample Product Forecast Chart
- Forecasting Good Practices

Good Practices of Fairness and Integrity

The following are examples of good practices of fairness and integrity:

- using the procurement process to obtain high-quality goods or services at the lowest possible price;
- developing a solicitation that contains specifications that are clear and not unduly restrictive;
- publicizing the solicitation appropriately to the widest possible audience to foster maximum free and open competition;
- writing clear evaluation criteria that are not unduly restrictive;
- allowing adequate time for respondents to prepare responsive bids or proposals, ensuring transparency in the opening and evaluating of bids and proposals, and documenting the entire process; and
- procuring within the awarded scope (i.e., quantity of goods and services) identified in the solicitation.

An Effective Procurement System

Multiple practices contribute to an effective procurement system. The following are examples of practices that contribute to an effective procurement system:

- utilize cycle menus
- understand stakeholders' expectations
- control product movement and cost management
- forecast the quantity
- screen the product
- write specifications
- understand informal, formal, and noncompetitive procurement methods
- create the solicitation document
- announce the solicitation
- allow adequate solicitation lead time
- award the contract
- manage the contract

Stakeholder Responsibilities Worksheet

Instructions: Mark the responsibilities of each stakeholder. More than one stakeholder may have the same responsibilities.

Responsibility	SFA	State Agency	Distributor	Broker	Manufacturer	USDA
Assure utilization of products and quantities within a 10% plus or minus variance of quantities specified; otherwise notify distributor immediately to avoid overstock or short coding.						
Communicate product recall and recall procedures in a timely manner.						
Compile orders to meet required case or dollar volumes for delivery.						
Create foods to meet school nutrition guidelines.						
Determine if new products are applicable for customers.						
Ensure competitive pricing.						
Ensure delivery of fresh, safe product awarded each time an order is placed.						
Ensure facilities are adequate to receive and maintain fresh and safe foods that will help to prevent spoilage and other loss.						
Ensure free and open competition by developing a solicitation document that is thorough.						
Ensure staff availability to accept orders on scheduled delivery days and times.						
Establish fair and clearly defined performance expectations and complaint procedures.						

Stakeholder Responsibilities Worksheet

Responsibility	SFA	State Agency	Distributor	Broker	Manufacturer	USDA
Establish reasonable delivery schedules and decrease frequency of drops whenever possible.						
Follow federal rules and regulations when preparing bids and all solicitation documents.						
Follow federal rules and regulations when preparing bids.						
Forecast for established quantity based on past performance.						
Generate pre-bid meetings, solicitation document, and contracts for vendors.						
Generate specific product descriptions, including green criteria as appropriate.						
Identify approved USDA Foods processors.						
Integrate USDA Foods into processed products as specified by the state agency or school district.						
Keep distributor, broker, and SFA staff abreast of new products.						
Keep procurement rules and policy memos up to date.						
Market new products.						
Minimize emergency orders.						

Stakeholder Responsibilities Worksheet

Responsibility	SFA	State Agency	Distributor	Broker	Manufacturer	USDA
Negotiate, when appropriate, for longer contract terms (two or more years) that include price adjustment clauses.						
Notify manufacturers of upcoming solicitation proposals, the product description, and specific requirements such as lead time.						
Notify the distributor or SFA staff of product changes such as formulation, packaging, or discontinuation.						
Notify the SFA staff and brokers of product changes such as formulation, packaging, or if product is discontinued.						
Optimize the use of SKUs.						
Place orders in a timely manner.						
Plan ahead to adequately prepare solicitation document.						
Plan menus in advance and incorporate USDA Foods.						
Produce adequate quantity to eliminate/reduce shortages.						
Provide adequate notification on product usage and menu changes.						
Provide advanced written notification to the supplier before the placement of the first order to ensure timely distribution.						

Stakeholder Responsibilities Worksheet

Responsibility	SFA	State Agency	Distributor	Broker	Manufacturer	USDA
Provide current contact information for bid notifications.						
Provide flexible delivery schedules to accommodate school closings and inclement weather conditions.						
Provide notification if there is an excess of inventory, especially on date-coded products.						
Provide notification of discontinued products, current inventory quantity, and velocity reports.						
Provide notification of expected school closings, holidays, and changes in normal business hours.						
Provide nutrient and ingredient information.						
Provide quality, safe food.						
Provide recipes that optimize SKUs.						
Provide timeline for ordering process for USDA Foods.						
Provide up-to-date meal component information for CN labeling.						
Provide up-to-date nutrient and ingredient information and marketing suggestions for Point of Sale (POS).						
Purchase all special order products requested.						
Use projected quantity in a reasonable time period.						

Sample Child Nutrition (CN) Label Product

Chicken Stir-Fry Bowl		
Ingredient Statement: Chicken, brown rice, broccoli, red peppers, carrots, onions, water, olive oil, soy sauce, spices.		
CN		
	099135	
CN	<p>Each 4.5 oz. Chicken Stir-Fry Bowl provides 1.5 oz. equivalent meat, 1.0 oz eq Grains, ¼ cup dark green vegetable, ¼ cup red/orange vegetable, and ⅛ cup other vegetable for Child Nutrition Meal Pattern Requirements. (Use of this logo and statement authorized by the Food and Nutrition Service, USDA XX/XX).</p>	CN
CN		
Net Wt.: 18 pounds		
		
Chicken Wok Company 1234 Kluck Street Poultry, PA 12345		

The CN Label product will always contain the following information:

- the CN logo, which has a distinctive border,
- the meal pattern contribution statement,
- a unique 6-digit product identification number (assigned by FNS) appearing in the upper right hand corner of the CN logo,
- the USDA/FNS authorization statement,
- the month and year of final FNS approval appearing at the end of the authorization statement, and
- the remaining required label features, which includes the:
 - product name
 - inspection legend
 - ingredient(s)
 - signature/address line
 - net weight

Product Categories Chart

Instructions: Identify the types of products you would purchase for each of the Product Categories. The menu and standardized recipe will help to determine the type of product to purchase. Product categories include Distributor's Choice Label, Private Label, and Manufacturer's Brand Label. It is worthwhile to investigate all categories before making any decisions.

Product Category	Description	Products
<p>Distributor's Choice</p>	<ul style="list-style-type: none"> ■ Contain only one or a few ingredients ■ Represent a lower dollar volume ■ Quote a price on any brand ■ No restrictions on the brands to be purchased ■ Site receiver does not check the brand delivered ■ May change the brand without notifying the school district <p>Note: The only requirement is that the product is in the pack and the case size is identified on the solicitation document. A case of pinto beans containing 12/#303 cans cannot be substituted if the specification calls for 6/#10 cans</p>	
<p>Private Label</p>	<ul style="list-style-type: none"> ■ Are packed under industry acceptable standards ■ Represents the supplier's brand <p>Note: Many distributors have their own private label brand and prefer to sell it instead of brand name items. Again, although the supplier will choose the brand, it must still conform to the specification. In many cases it is worth the task of tasting these products.</p>	
<p>Manufacturer's Brand</p>	<ul style="list-style-type: none"> ■ Are recognized by name and generally attract customers who are loyal to their name ■ Are usually main entrees, contain multiple ingredients, and are processed <p>Note: It is important to ensure that the product is available if it is on the menu. Consistent products propel average daily participation and keep customers returning. These products are subject to tremendous variation in quality among brands.</p>	

Product Screening Chart

The purpose of conducting a screening is to provide a list of preapproved, equal product brands in the solicitation document. The federal regulations clearly forbid specifying only a brand name product instead of allowing a preapproved equal product to be offered. The three ways of screening products include paper, appearance, and taste screenings. Each screening is done separately and includes different criteria.

Screening	Description
Paper Screening	<ul style="list-style-type: none"> ■ Review the product label provided by the distributor. <p>Note: The label contains a description of the product, the code number, the ingredients and a nutritional analysis. If the product has passed the label and nutritional screening, proceed to the appearance screening.</p>
Appearance Screening	<ul style="list-style-type: none"> ■ Examine the appearance of the sample. ■ Examine the yield of the product. <p>Note: The most important aspect of the appearance screening is the product itself. Before beginning the appearance screening, determine quantifiers of what is wanted or expected for the appearance of the product.</p>
Taste Screening School Nutrition Staff and Students	<ul style="list-style-type: none"> ■ Conduct a taste test with the school nutrition staff and students. <p>Note: Some products are too highly seasoned, too greasy, too salty, or too sweet. The goal is to offer customers good tasting, high quality products.</p> <p>Determine in advance the criteria for documenting the results of the taste test. Consider including a description for texture, flavor, seasoning, how the product holds after cooking, and overall acceptance of the product in creating the evaluation tool.</p>

Product Screening Chart

Screening	Description
Conducting a Taste Test	<ul style="list-style-type: none"> ■ Prepare the product. Do not identify the brand name of the product. The taste test is the final screen and determines whether the brand or the product will be preapproved to be placed on the bid. <p>Note: A simple method for taste testing with elementary students involves using two containers, one labeled with a smiley face and one with a frown. The students vote with their disposable utensil or napkin used in the taste test by placing it in the appropriate container—smiley for acceptable and frown for unacceptable. In the same manner, at the middle and high school levels, the containers can be labeled either acceptable or unacceptable. An acceptability percentage such as 85% approval should be predetermined for products to be placed on the bid.</p>
Keep Accurate Screening Records	<ul style="list-style-type: none"> ■ Be careful in screening products to ensure that they do not inadvertently exclude potential vendors. ■ All interested potential respondents should be provided with a copy of the screening procedure. ■ All screening evaluations should allow for all potential vendors to provide a product for screening (e.g., public advertisement). <p>Note: Establishing paper, appearance, and taste screening procedures in advance may reduce the possibilities of future bid protests. Keep accurate records of all three screenings. You may be asked to justify your choices.</p>

Appearance and Taste Screening Criteria Worksheet Example

Instructions: For each of the products, identify acceptable appearance and taste quality standards.

Product	Appearance Quality Standards	Taste Quality Standards
Whole Grain-Rich Hamburger Bun		
Lemon Pepper Tilapia Filets, Frozen		
Sliced Peaches, Canned		
Spicy Sweet Potatoes, Fries, Frozen		
Frozen Broccoli Spears		
Whole Grain Bean Burrito		

Product Description Summary Chart

A specification is a concise statement of a set of requirements to be satisfied by a product, material, and/or process. Some specifications are very brief, while others may be quite extensive. It is important to develop specifications that are not overly restrictive to competition. Specifying a brand name only product instead of allowing a preapproved equal product to be offered restricts free and open competition. The clearer the specification, the more likely you will receive the anticipated product.

Characteristics	Description
Specifications Characteristics	<ul style="list-style-type: none"> ■ Can be difficult and time consuming because the descriptions are often long and very detailed ■ Can be limited to only those characteristics that are essential for communicating with the supplier, such as the Standard of Identity (SOI), quality, grade, and size
Common Language	<ul style="list-style-type: none"> ■ Common language of the industry ■ Provide a clear product description
Multi-ingredients Foods	<ul style="list-style-type: none"> ■ May require research ■ May be necessary to obtain product for appearance and tasting screening
Description of Product	<ul style="list-style-type: none"> ■ Must clearly indicate that vendor may quote on brand name or preapproved equal products to ensure maximum free and open competition. Identify product listed, the type of product, the cut of product (e.g., filet), the portion size, the precooked weight, and whether it is frozen, or fresh, or dry ■ Include the manufacturer's name, the manufacturer's name for the product (e.g. rounds, triangles, and dips), the manufacturer's code number, and the manufacturer's pack size)
Case Pack and Weight	<ul style="list-style-type: none"> ■ Describes how the item is packaged (e.g., 6/#10 cans, or 4/5# loaves, or not to exceed 25#, individually wrapped, 48 to the case, cannot exceed 30 pounds)
Minimum and Maximum Sizes and Pieces	<ul style="list-style-type: none"> ■ Describes the minimum and maximum size of the product (e.g., each serving must weigh a minimum of 3.9 ounces and cannot exceed 4.1 ounces)
Main Ingredients	<ul style="list-style-type: none"> ■ Describes the main ingredients (e.g., pinto beans, black beans, whole grain-rich tortilla)
Other Product Ingredients	<ul style="list-style-type: none"> ■ Describes what products can be included (e.g., whole-grain pasta, whole-wheat flour or product may include spices, emulsifiers, vegetable purees, and thickening agents)

Product Description Summary Chart

Characteristics	Description
Prohibited Ingredients	<ul style="list-style-type: none"> ■ Describes what items are prohibited (e.g., food additives, artificial colors and flavors, hydrogenated fat, monosodium glutamate (MSG), dairy, wheat, soy, eggs, peanuts, tree nuts, fish, crustaceans)
Nutritional Standards	<ul style="list-style-type: none"> ■ Describes the nutritional standards for the product, the minimum or maximum nutrient or ingredient requirements or limitations (e.g., pinto beans and black beans combined must provide a 1.5 ounce equivalent for the Meat/Meat Alternate, and the whole grain-rich tortilla must provide a 1.5 ounce equivalent for the Grains component for the NSLP. Product must meet NSLP requirements)
Unit Award is Made	<ul style="list-style-type: none"> ■ Describes how the unit price will be determined (e.g., by the case, by the serving, per pound)
Quality Indicators	<ul style="list-style-type: none"> ■ Describes the quality indicators (e.g. U.S. grade, U.S. Standard for fresh apples, Prime, Choice)
Meal Pattern Requirement	<ul style="list-style-type: none"> ■ Describes if the product meets certain meal component requirements or is required to have a CN Label
Run Code	<ul style="list-style-type: none"> ■ Describes the production run number ■ Identifies the code that identifies the production plant, the date, the shift, and the production line that manufactured the product ■ Is not printed on the label, but rather it is stamped on the case at the time the product is manufactured.

Mock Bean Burrito Product Description Sample Worksheet

Instructions: Create a product description for each of the characteristics in bold font for a bean burrito. Write your response in the space provided for each of the characteristics identified in bold font. Refer to Product Description Summary Chart.

Description of the Product: _____

Case Pack/Weight: _____

Minimum and Maximum Size and Pieces: _____

Main Ingredient(s): _____

Other Product Ingredients: _____

Prohibited Ingredients: _____

Nutritional Standards: _____

Meal Pattern Requirements/Child Nutrition (CN) Label: _____

Unit on Which Award is Made: _____

Quality Indicators: _____

Purchasing Decisions Worksheet

Instructions: Complete the calculations.

Scenario: Purchasing Decision Broccoli

For an upcoming menu, the manager is determining whether to order untrimmed fresh broccoli or trimmed fresh broccoli florets. Food production records indicate 100- ½ cup servings of broccoli will be needed. Both products are acceptable.

Broccoli, fresh untrimmed

- Broccoli, fresh, untrimmed, 100- ½ cup EP servings will require 19.75 lb. of AP product
- Broccoli, fresh, untrimmed, is \$1.29 lb.
- Broccoli, fresh, untrimmed, requires 60 minutes of labor before portioning into ½ cup serving size
- Labor cost \$11.70/60 minutes

Cost of Broccoli, Fresh, Untrimmed

Amount of Broccoli to Purchase	x	Cost per Pound	=	Cost of Broccoli, fresh, untrimmed
19.75 lb.	x	\$1.29 per/lb.	=	\$_____ Cost

Cost of Broccoli, Fresh, Untrimmed with Labor

Cost of Broccoli, fresh, untrimmed	+	Labor Cost	=	Cost of Broccoli, fresh, untrimmed
\$25.48 Cost	+	\$11.70 60 Minutes	=	\$_____ Cost

Broccoli, fresh, florets, trimmed, ready-to-use

- Broccoli, fresh, florets, trimmed, ready-to-use, 100- ½ cup EP servings will require 7 lb. of AP product
- Broccoli, fresh, florets, trimmed, ready-to-use is \$2.08 lb.
- Broccoli, fresh, florets, trimmed, ready-to-use requires 15 minutes of labor before portioning into ½ cup serving size.
- Labor cost \$11.70/60 minutes or \$2.93/15 Minutes

Cost of Broccoli, Fresh, Florets, Trimmed, Ready-to-Use

Amount of Broccoli to Purchase	x	Cost per Pound	=	Cost of Broccoli, fresh, florets, trimmed
7 lb.	x	\$2.08 lb.	=	\$_____
				Cost

Cost of Broccoli, Fresh, Florets, Trimmed with Labor

Cost of Broccoli, fresh, trimmed	+	Labor Cost	=	Cost of Broccoli, fresh, florets, trimmed
\$14.56 Cost	+	\$2.93 15 Minutes	=	\$_____
				Cost

Forecasting Questions: Past, Present, and Future Worksheet

Instructions: Establishing valid forecasts requires reflection on the past, consideration of present conditions, and speculation as to the future. When forecasting procurement needs, what are questions you might ask? Write your questions in the space below.

The Past

The following are some example questions: _____

The Present

The following are some example questions: _____

The Future

The following are some example questions: _____

Sample Product Forecast Chart

School Name:	Advanced Learning Center		
Product Name and Specification:	10" Whole Wheat Spaghetti		
Case Size:	2/10 lb. Bags		
FBG:	10 – ½ cup servings per 1 pound		
Edible Portions Servings per Case:	200 per case		
Date:	January of preceding school year		
Month	Number of Edible Portion (EP)	Month	Number of Cases per Month As purchased (AP)
August	200	August	1
September	600	September	3
October	1,600	October	8
November	1,000	November	5
December	800	December	4
January	2,000	January	10
February	1,000	February	5
March	800	March	4
April	300	April	2
May	200	May	1
June	100	June	1
July	0	July	0
Total	8,600	Total	44

Forecasting Good Practices

Forecast items accurately. The SFA staff should be prepared to provide the state agency with some details on how the products and quantities were projected.

Answer the past, present, and future questions. The answers to these questions will provide a more reliable forecast to ensure only the necessary purchases are made in accurate quantities.

Utilize cycle menus. The inclusion of cycle menus contributes to a more efficient procurement process. Cycle menus provide the opportunity to analyze menu items and determine similarities among recipes. Cycle menus also allow for locally grown and seasonal foods to be incorporated in the menu. Identifying similar menu items for different recipes can lead to a reduction of inventory and a cost savings. School nutrition staff should become familiar with the standardized recipes and learn preparation efficiencies for producing a quality product.

Review production records. Production records log the daily amounts served and how much of the prepared food remains after the product is served. It is important to review production records on a daily, weekly, or monthly basis. Production records are used for future meal planning and determining the popularity of an item. Production records provide valuable information when forecasting quantities to purchase and controlling waste of a product.

Conduct surveys or taste panels to determine customer satisfaction. The survey or taste panel can include current menu items and potential menu items for consideration.

Ask the distributor to generate a velocity report for products purchased during a specific time period. The report can serve as a tool for the SFA staff when forecasting the needs of the district and documenting bid integrity.

Record the current inventory. Conducting inventory before creating the solicitation document will help to ensure that only necessary products are ordered.

Calculate the amount of product to purchases and number of servings prepare. The AP weight is the amount of product to be purchased. The EP weight is the amount of product that can be consumed. The AP weight is greater than the EP weight. Calculation of the AP quantity allows the SFA to purchase based on the anticipated number of servings of the item. The calculation provides an estimated quantity of food needed to be purchased to meet the anticipated number of servings to meet the portion size. For additional information, refer to the USDA Food Buying Guide (FBG) Calculator via the following link: <http://fbg.nfsmi.org>. It is important to remember to use standardized recipes for accurate servings, portion sizes, and nutrition information applicable to your specific operation.

Complete an electronic monthly grid with estimates. Depending on the size of the district and the number of different items being procured, it may be necessary to develop specific product forecast electronic forms to meet a district's needs.

Include the school's name, product specification, case size, and date. Using the USDA FBG Calculator, determine the number of servings and calculate the amount to purchase for each month during the duration of the bid period. Total the calculations for each month to determine the annual product usage. Use past production records and future plans for menu planning and to forecast the quantity of food needed prior to issuing a solicitation document. Consider summer recesses, holidays, and other school breaks that would affect forecasts.

Realistic Expectations

Forecasting a minimum of six weeks in advance is not a federal regulation but is considered a good practice. It is unrealistic to expect the awarded distributor or manufacturer to have products and quantities specific to your district readily available in their inventory. Stakeholders of the supply chain need adequate preparation time to process and deliver the anticipated quantity. In the event that forecasts are not available for proprietary products, products manufactured strictly for your program, or for products unique to that manufacturer, allowing as much time to process the request for products becomes even more critical.

Section 1—Procurement Principles

Answer Key

Handouts

- Stakeholder Responsibilities Worksheet Answer Key
- Product Categories Chart Answer Keys
- Appearance and Taste Screening Criteria Example Answer Key
- Mock Bean Burrito Product Description Worksheet Example Answer Key
- Purchasing Decisions Worksheet Answer Key
- Forecasting Questions: Past, Present, and Future Worksheet Example Answer Key

Stakeholder Responsibilities Worksheet Answer Key

Instructions: Mark the responsibilities of each stakeholder. More than one stakeholder may have the same responsibilities.

Responsibility	SFA	State Agency	Distributor	Broker	Manufacturer	USDA
Assure utilization of products and quantities within a 10% plus or minus variance of quantities specified; otherwise notify distributor immediately to avoid overstock or short coding.	X					
Communicate product recall and recall procedures in a timely manner.		X	X	X	X	X
Compile orders to meet required case or dollar volumes for delivery.	X					
Create foods to meet school nutrition guidelines.					X	X
Determine if new products are applicable for customers.	X	X				
Ensure competitive pricing.				X	X	
Ensure delivery of fresh, safe product awarded each time an order is placed.			X			
Ensure facilities are adequate to receive and maintain fresh and safe foods that will help to prevent spoilage and other loss.	X					
Ensure free and open competition by developing a solicitation document that is thorough.	X					
Ensure staff availability to accept orders on scheduled delivery days and times.	X					
Establish fair and clearly defined performance expectations and complaint procedures.	X					

Stakeholder Responsibilities Worksheet Answer Key

Responsibility	SFA	State Agency	Distributor	Broker	Manufacturer	USDA
Establish reasonable delivery schedules and decrease frequency of drops whenever possible.	X					
Follow federal rules and regulations when preparing bids and all solicitation documents.	X					
Follow federal rules and regulations when preparing bids.			X	X	X	
Forecast for established quantity based on past performance.	X					
Generate pre-bid meetings, solicitation document, and contracts for vendors.	X					
Generate specific product descriptions, including green criteria as appropriate.	X					
Identify approved USDA Foods processors.						X
Integrate USDA Foods into processed products as specified by the state agency or school district.					X	
Keep distributor, broker, and SFA staff abreast of new products.					X	
Keep procurement rules and policy memos up to date.	X					
Market new products.		X		X		
Minimize emergency orders.	X					

Stakeholder Responsibilities Worksheet Answer Key

Responsibility	SFA	State Agency	Distributor	Broker	Manufacturer	USDA
Negotiate, when appropriate, for longer contract terms (two or more years) that include price adjustment clauses.	X					
Notify manufacturers of upcoming solicitation proposals, the product description, and specific requirements such as lead time.			X			
Notify the distributor or SFA staff of product changes such as formulation, packaging, or discontinuation.				X		
Notify the SFA staff and brokers of product changes such as formulation, packaging, or if product is discontinued.					X	
Optimize the use of SKUs.	X					
Place orders in a timely manner.			X			
Plan ahead to adequately prepare solicitation document.	X					
Plan menus in advance and incorporate USDA Foods.	X					
Produce adequate quantity to eliminate/reduce shortages.					X	
Provide adequate notification on product usage and menu changes.	X					
Provide advanced written notification to the supplier before the placement of the first order to ensure timely distribution.	X					

Stakeholder Responsibilities Worksheet Answer Key

Responsibility	SFA	State Agency	Distributor	Broker	Manufacturer	USDA
Provide current contact information for bid notifications.				X	X	
Provide flexible delivery schedules to accommodate school closings and inclement weather conditions.			X			
Provide notification if there is an excess of inventory, especially on date-coded products.			X			
Provide notification of discontinued products, current inventory quantity, and velocity reports.			X			
Provide notification of expected school closings, holidays, and changes in normal business hours.	X					
Provide nutrient and ingredient information.				X		
Provide quality, safe food.					X	X
Provide recipes that optimize SKUs.			X			
Provide timeline for ordering process.						X
Provide up-to-date meal component information for CN labeling.					X	X
Provide up-to-date nutrient and ingredient information and marketing suggestions for Point of Sale (POS).					X	
Purchase all special order products requested.	X					
Use projected quantity in a reasonable time period.	X					

Product Categories Chart Answer Key

Instructions: Identify the types of products you would purchase for each of the Product Categories. The menu and standardized recipe will help to determine the type of product to purchase. Product categories include Distributor's Choice Label, Private Label, and Manufacturer's Brand Label. It is worthwhile to investigate all categories before making any decisions.

Product Category	Description	Products
<p>Distributor's Choice</p>	<ul style="list-style-type: none"> ■ Contain only one or a few ingredients ■ Represent a lower dollar volume ■ Quote a price on any brand ■ No restrictions on the brands to be purchased ■ Site receiver does not check the brand delivered ■ May change the brand without notifying the school district <p>Note: The only requirement is that the product is in the pack and the case size is identified on the solicitation document. A case of pinto beans containing 12/#303 cans cannot be substituted if the specification calls for 6/#10 cans</p>	<ul style="list-style-type: none"> ■ Staple ingredients ■ Paper products
<p>Private Label</p>	<ul style="list-style-type: none"> ■ Are packed under industry acceptable standards ■ Represents the supplier's brand <p>Note: Many distributors have their own private label brand and prefer to sell it instead of brand name items. Again, although the supplier will choose the brand, it must still conform to the specification. In many cases it is worth the task of tasting these products.</p>	<ul style="list-style-type: none"> ■ Canned fruits and vegetables ■ Frozen vegetables
<p>Manufacturer's Brand</p>	<ul style="list-style-type: none"> ■ Are recognized by name and generally attract customers who are loyal to their name ■ Are usually main entrees, contain multiple ingredients, and are processed <p>Note: It is important to ensure that the product is available if it is on the menu. Consistent products propel average daily participation and keep customers returning. These products are subject to tremendous variation in quality among brands.</p>	<ul style="list-style-type: none"> ■ Chicken nuggets ■ Burritos ■ Whole grain French toast

Appearance and Taste Screening Criteria Worksheet Example

Answer Key

Instructions: For each of the products, identify acceptable appearance and taste quality standards.

Product	Appearance Quality Standards	Taste Quality Standards
Whole Grain-Rich Hamburger Bun	<ul style="list-style-type: none"> ■ Consistent shape ■ Light brown in color ■ Even color ■ Even cut 	<ul style="list-style-type: none"> ■ Slightly sweet ■ Tender
Lemon Pepper Tilapia Filets, Frozen	<ul style="list-style-type: none"> ■ Even-cut pieces ■ Topping evenly spread ■ White fish 	<ul style="list-style-type: none"> ■ No overpowering fish taste ■ Lightly seasoned ■ Flaky ■ Fish aroma, not odor
Sliced Peaches, Canned	<ul style="list-style-type: none"> ■ Golden yellow consistent color ■ Evenly cut slices ■ No pits or skin ■ Yield 	<ul style="list-style-type: none"> ■ “Fresh” taste (no metallic aftertaste) ■ Firm
Spicy Sweet Potatoes, Fries, Frozen	<ul style="list-style-type: none"> ■ Dark orange color ■ Even cut pieces 	<ul style="list-style-type: none"> ■ Slight spicy flavor (but not overwhelming) ■ Crisp
Frozen Broccoli Spears	<ul style="list-style-type: none"> ■ Whole spears ■ Minimal leaves ■ Dark green color ■ Good ratio of stem to flowers 	<ul style="list-style-type: none"> ■ “Fresh” taste ■ No bitterness
Whole Grain Bean Burrito	<ul style="list-style-type: none"> ■ Consistent size ■ Light brown/tan color ■ Wrap is tight ■ Fill ratio ■ Mixture of refried beans with some bean particles 	<ul style="list-style-type: none"> ■ Well-rounded flavor of beans and cheese

Mock Bean Burrito Product Description Sample Worksheet Answer Key

Instructions: Create a product description for each of the characteristics in bold font for a bean burrito. Write your response in the space provided for each of the characteristics identified in bold font. Refer to Product Specifications Summary Chart.

Description of the Product: two-bean burrito on a whole grain-rich tortilla

Case Pack/Weight: 72 to the case; paper between layer; individual bulk pack; IQF, bulk case cannot exceed 22 pounds in total weight.

Minimum and Maximum Size and Pieces: 3.9 ounces and cannot exceed 4.1 ounces

Main Ingredient(s): pinto beans, black beans, and an individual whole grain-rich tortilla

Other Product Ingredients: product may include spices, emulsifiers, vegetable purees, and thickening agents

Prohibited Ingredients: product cannot contain dairy, beef, chicken, pork, fish by-products, or monosodium glutamate (MSG)

Nutritional Standards: pinto beans and black beans combined must provide a 1.5 ounce equivalent for the Meat/Meat Alternate, and the whole grain-rich tortilla must provide a 1.5 ounce equivalent and must include 50% whole grains by weight or have whole grain as the first ingredient for the Grains component for the National School Lunch Program; product must contain between 300-350 calories, must have less than or equal 35% calories from total fat, less than 10% calories from saturated fat, zero *trans* fat, and may not exceed 230 mg sodium

Meal Pattern Requirements/Child Nutrition (CN) Label: CN Label preferred or product must meet 1.5 ounce equivalent for the Meat/Meat Alternate, and the whole grain-rich tortilla must provide a 1.5 ounce equivalent for the Grains component for the National School Lunch Program

Unit on Which Award is Made: based on unit price for acceptable products

Quality Indicators: private label or manufacturer's brands are subject to internal quality screening; golden brown color; ability to hold in warming cabinet for up to one hour

Purchasing Decisions Worksheet Answer Key

Instructions: Complete the calculations.

Scenario: Purchasing Decision Broccoli

For an upcoming menu, the manager is determining whether to order untrimmed fresh broccoli or trimmed fresh broccoli florets. Food production records indicate 100- ½ cup servings of broccoli will be needed. Both products are acceptable.

Broccoli, fresh untrimmed

- Broccoli, fresh, untrimmed, 100- ½ cup EP servings will require 19.75 lb. of AP product
- Broccoli, fresh, untrimmed, is \$1.29 lb.
- Broccoli, fresh, untrimmed, requires 60 minutes of labor before portioning into ½ cup serving size
- Labor cost \$11.70/60 minutes

Cost of Broccoli, Fresh, Untrimmed

Amount of Broccoli to Purchase	x	Cost per Pound	=	Cost of Broccoli, fresh, untrimmed
19.75 lb.	x	\$1.29 per/lb.	=	\$25.48 Cost

Cost of Broccoli, Fresh, Untrimmed with Labor

Cost of Broccoli, fresh, untrimmed	+	Labor Cost	=	Cost of Broccoli, fresh, untrimmed
\$25.48 Cost	+	\$11.70 60 Minutes	=	\$37.18 Cost

Broccoli, fresh, florets, trimmed, ready-to-use

- Broccoli, fresh, florets, trimmed, ready-to-use, 100- ½ cup EP servings will require 7 lb. of AP product
- Broccoli, fresh, florets, trimmed, ready-to-use is \$2.08 lb.
- Broccoli, fresh, florets, trimmed, ready-to-use requires 15 minutes of labor before portioning into ½ cup serving size.
- Labor cost \$11.70/60 minutes or \$2.93/15 Minutes

Cost of Broccoli, Fresh, Florets, Trimmed, Ready-to-Use

Amount of Broccoli to Purchase	x	Cost per Pound	=	Cost of Broccoli, fresh, florets, trimmed
7 lb.	x	\$2.08 lb.	=	<u>\$14.56</u> Cost

Cost of Broccoli, Fresh, Florets, Trimmed with Labor

Cost of Broccoli, fresh, trimmed	+	Labor Cost	=	Cost of Broccoli, fresh, florets, trimmed
\$14.56 Cost	+	\$2.93 15 Minutes	=	<u>\$17.49</u> Cost

Forecasting Questions: Past, Present, and Future Worksheet

Sample Answer Key

Instructions: Establishing valid forecasts requires reflection on the past, consideration of present conditions, and speculation as to the future. When forecasting procurement needs, what are questions you might ask? Write your questions in the space below.

The Past

The following are some example questions:

- Has the serving of this item been increasing, decreasing, or remaining the same?
- What are the revenues from the past year?

The Present

The following are some example questions:

- In what meal service is the item menued?
- For what grade levels is the item menued?
- What is the EP cost of the product?
- Is the price of this item cost effective, including the impact of utility and waste removal costs?
- What menu items are grown locally?
- How often does the item appear on the menu?
- Is the menuing of this item contingent on the availability of USDA Foods?
- What is the current inventory?
- Is there sufficient storage space including, space for recyclables?

The Future

The following are some example questions:

- What is the upcoming year's menu?
- Will the item continue to be menued to the same clientele and in the same frequency as it is currently?
- Is the product still going to be available in the manufacturer's portfolio?
- Are there any changes in menu or meal requirements that no longer allow this item to be served in the same manner as it has been previously? Will this force the item to be menued to different grade levels?
- Is the item still affordable?
- Is it necessary to divert or order USDA Foods to produce this item?
- What is the estimated dollar value of procurements for the upcoming year?

Section 2—Competitive Purchasing

Handouts

- Small Purchase Request Template Example
- Small Purchases Checklist
- RFP Evaluation Scoring Worksheet Example
- Using Geographic Preference in Four Steps
- Sample Geographic Preference Language

Small Purchase Request Template Example

Small Purchase Request

Date of request: _____

Name of product, goods or services requested: _____

Description of product, goods or services: _____

Quantity requested: _____

Special conditions: _____

Vendor's Information

Price quote: _____

Company's name: _____

Individual submitting quote name, phone and contact information: _____

Date of price quote: _____

Duration of the price quote: _____

District's Information

Name of the district's official making the solicitation: _____

District's contact information: _____

Small Purchases Checklist

	Yes	No
Planning Process		
Review criteria and confirm purchase meets small purchase criteria.		
Document justification of purchase.		
Write clear concise specifications (description, quantity, fees, and services).		
Follow district, state, and federal guidelines and procedures.		
Document any other information needed for the bidder to properly respond.		
Determine a minimal of three potential vendors.		
Develop matrix to document responses.		
Solicitation Process Documentation		
Identify companies contacted for bids (name of company, address, and phone number/fax/email).		
Identify individual's name submitting quote and date submitted.		
Identify how companies were contacted (in person, telephone, fax, email).		
Identify when quotes are due and selection date of vendor.		
State the time period the bid price must be honored.		
State the time period the bid price must be submitted and when product or services will be needed by in the district.		
Confirm district received quotes from at least three vendors.		
Identify responsive and responsible vendors and provides justification if vendor is not responsive or responsible.		
Quote Evaluation Award Documentation		
Evaluate only responsive and responsible vendors.		
Use an evaluation matrix.		
Select the bidder with the lowest bid and award the contract/purchase.		
Justify if the lowest bidder was not selected; and document reasons for selecting a higher bid.		
Contract Management Documentation		
Notify selected vendor.		
Place order within the timeline.		
Ensure terms and conditions of contracts are met.		
Keep all planning, solicitation, quote award, contract management documents.		
Keep all invoices and payment records.		

RFP Evaluation Scoring Worksheet

Instructions: Review the RFP solicitation and three proposals. Use the RFP Evaluation Scoring Worksheet Sample to independently score each of the three proposals. Once you have completed your independent review, discuss the evaluation scores and decide as a team which of the three companies should be recommend for the service. The maximum points available are included in the chart. Independently assign points, and then as a group, review and average your points.

RFP Solicitation:

School District XYZ is soliciting proposals for pest control, as they have identified an extensive problem in the food service department. As part of the submitted proposal, potential vendors must include the following information:

- the results of an on-site inspection
- a detailed service calendar, including proposed service days and times; The proposed times should not conflict with regularly scheduled food preparation, service and clean-up (6:30 AM-3:00 PM).
- A comprehensive list of proposed chemicals and other methods to control pests. Specific reference should be included on whether these methods and chemicals are approved for use in food preparation and service areas.
- a description of monitoring tools and procedures
- copies of proposed chemical Safety Data Sheets (SDS) and product labels
- A current list of names along with copies of commercial applicator licenses and technicians' certification.
- the proposed record keeping plan, including service and complaint log process.
- a sample service report form
- descriptions and photos of technician uniforms and protective clothing
- a copy of the state contractor license
- proposed monthly pricing
- two references from school districts or food service operations

Proposal #1 from Pest Away!

- The proposal includes an onsite inspection report. The onsite inspection revealed cockroaches, fruit flies, mice, and a hornet's nest.
- The proposal states service will be conducted monthly on the third Monday between 10:00 a.m. and 2:00 p.m.
- The proposal includes SDS sheets and chemical product labels. The chemicals are not approved for use in food service.
- The proposal states protective clothing and equipment must be provided by the school district.
- The proposal includes four references, three from school districts and one from a retail operation owned by a current school board member.

- The proposal includes the inspection reports of the administration offices and classrooms.
- The proposal states four sets of safety goggles and protective gloves will be provided to the district.
- The monthly pricing for this service is \$150.00 per school.

Proposal #2 from Professional Pest Management

- The proposal includes an onsite inspection report. The onsite inspection revealed cockroaches, fruit flies, and mice.
- The proposal states service will be conducted every six weeks between 4:00 and 6:00 p.m.
- The proposal includes SDS sheets and chemical product labels. Several products specifically indicate that they are not for food service areas.
- The proposal states protective clothing and equipment will be used.
- The proposal includes a sample service report form. The report can also be completed by a free smartphone application.
- The proposal includes a description of monitoring tools and procedures.
- The proposal includes descriptions and photos of uniforms.
- The proposal includes contractor license copy and technician list and certificates.
- The proposal includes three references from school districts.
- The monthly pricing for this service is \$280.00 per school.

Proposal #3 from A Better Pest Control

- The proposal states service will be conducted every four weeks between 3:30 p.m. and 6:00 p.m.
- The proposal includes SDS sheets and chemical product labels. All the chemicals are approved for use in food service.
- The proposal states protective clothing and equipment will be used.
- The proposal includes a sample service report form. The report can also be completed online by linking to the company's website.
- The proposal includes a description of monitoring tools and procedures.
- The proposal includes information on training and inservices that will be conducted for all staff.
- The proposal includes information on external building pest control (incorporated in to the bid).
- The proposal includes a description of monitoring tools and procedures.
- The proposal includes contractor license copy and technician list and certificates.
- The proposal includes three references, two from school districts and one from a local restaurant.
- The monthly pricing for this service is \$260.00 per school.

RFP Evaluation Scoring Worksheet Sample

Factor	Maximum Rating	Supplier		
		Pest Away!	Professional Pest Management	A Better Pest Control
Price Per School				
Price	20			
Onsite inspection	10			
Service calendar Monitoring tools	5			
Chemical list SDS and labels	15			
Record keeping plan A sample service report form	5			
Descriptions and photos of technician uniforms and protective clothing	5			
Names, commercial applicator licenses and certification	15			
State contractor license	15			
References	10			
TOTAL SCORE	100			

Using Geographic Preference in Four Steps

This is meant to help you work with school districts to use geographic preference for purchasing local, unprocessed agricultural products. While you or the district may not be able to answer every question, the prompts will help you think through the applications of the geographic preference option.

1. Define local.
 - How has your school or district chosen to define “local” or “regional”?
 - How did you establish this definition?
2. Determine whether the procurement is informal or formal.
 - What is the value of the purchase?
 - What is the applicable small-purchase threshold?
 - If the purchase amount is over the small-purchase threshold, will you use an RFP or IFB?
3. Decide how much preference to give.
 - How much more are you willing to pay for local?
 - How many local vendors are there?
 - What is the market price?

Tip: Remember that the stronger the preference you give to local products, the more those products might cost you. Think carefully about how much preference you can afford to award. You may also consider using a Request for Information (RFI).

4. Determine how the preference will be applied.
 - Outline how geographic preference will be applied:
 - Dollar value
 - Point system
 - Percentage
 - Other

Adapted from: the A School's Guide to Purchasing Washington-Grown Food, developed by the Washington State Department of Agriculture. Accessed April 2013. <http://www.wafarmtoschool.org/Content/Documents/SchoolGuideFLowResGuideNoResources-1.pdf>

Sample Geographic Preference Language

Example One: State-Grown Definition of Local, Price Preference

The _____ School District seeks to serve _____ State-grown products to its students. We are currently seeking quotes for the following items for our (Fresh Fruit and Vegetables Program or other special event or project) for the months of _____ and _____.

We hope to purchase produce items that are grown and packed or processed in _____ (State), and will receive price preference to such products as we review the quotes.

Example Two: Two-tiered, Price Preference

The _____ Public Schools desires to serve fresh, locally grown products to its students. To this end, the school nutrition department is seeking to develop a list of vendors that meet all procurement requirements from which quotes may be requested.

This district defines “locally grown products” eligible for this geographic preference at two levels. These levels are:

1. Grown in the counties of _____ or _____
2. Grown in State _____

As allowed under Federal law, the _____ Public Schools will provide a price percentage preference during evaluation of quotes to “locally grown products” purchased for the school nutrition procurement as defined under this geographic preference.

The price percentage is as follows:

1. Grown in the counties of _____ or _____ counties: 5%.
2. Grown in state _____ 3%.

The price percentage preference means that for the purposes of comparison, prices for product grown in one of the three counties will be adjusted to a price 5% lower than the price quoted for the product by the vendor or 3% for product grown outside these counties and still within the State. The price percentage preference affects the quoted price only for awarding of the quote, not the actual price paid to the vendor.

Example Three: One Point = One Penny

The _____ School District seeks to serve _____ county-grown products to its students. We are currently seeking quotes for _____ our (Fresh Fruit and Vegetables Program or other special event or project) for the months of _____ and _____.

We hope to purchase produce items that are grown and packed or processed in _____ county, and will apply ten preference points to any bidder able to supply product from _____ county. For this solicitation, ten preference points are equivalent to a 10 cent reduction in price for the purposes of evaluating the lowest bidder.

Example Four: Percentage Preference for a Minimum Percentage Local

The _____ School District seeks to serve regionally grown produce from within 400 miles of _____ county. We are currently seeking quotes for a variety of fruit and vegetable products. For the purposes of evaluating bids, respondents who can supply at least 60% of the requested items from within 400 miles will receive a 20% price reduction.

Section 2—Competitive Purchasing

Answer Key

Answer Key

- RFP Evaluation Scoring Worksheet Sample Answer Key

RFP Evaluation Scoring Worksheet Sample Answer Key

Factor	Maximum Rating	Supplier		
		Pest Away!	Professional Pest Management	A Better Pest Control
Price per school		\$150	\$280	\$260
Price	20	20	10	15
Onsite inspection	10	10	10	0
Service calendar Monitoring tools	5	5	5	3
Chemical list SDS and labels	15	0	0	15
Record keeping plan A sample service report form	5	0	5	5
Descriptions and photos of technician uniforms and protective clothing	5	0	5	5
Names, commercial applicator licenses and certification	15	0	15	15
State contractor license	15	0	15	15
References	10	5	10	10
TOTAL SCORE	100	40	75	83

Section 3—Solicitation for Goods, Products, and Services

Handouts

- Mock Procurement Timeline Worksheet Sample
- Solicitation Types Advantages and Disadvantages
- Solicitation Document Summary Chart
- Baby Kale Solicitation Document Worksheet

Mock Procurement Timeline Worksheet Sample

Instructions: Identify the procurement tasks and the month the task should be completed to ensure an on-time delivery of goods, products, or services. Mark the column when the task has been completed.

Month(s)	Task(s)	Date Completed
August – September		
October – December		
January		
February – March		
April – May		
June		
July – August		

Solicitation Types Advantages and Disadvantages

Type of Solicitation	Advantages	Disadvantages
Line Item Bid	<ul style="list-style-type: none"> ■ Best price for an individual item 	<ul style="list-style-type: none"> ■ Many suppliers ■ Need to remember what products are purchased from each supplier ■ Vendor may only be awarded one item ■ May not be able to meet distributor minimums for deliveries ■ May limit the number of responding vendors ■ May actually cost you more in the long run
Market Basket/ Product Groupings Solicitation	<ul style="list-style-type: none"> ■ Allows more vendors ■ Volumes for the entire lot tend to be large so pricing is strong ■ Limits the total number of suppliers to a manageable level ■ Provides opportunity to purchase specialty items 	<ul style="list-style-type: none"> ■ Some suppliers may not be able to supply all the items in a lot. ■ Some lots may not be a large enough volume to warrant sufficient competition.
Prime Vendor (All or Nothing)	<ul style="list-style-type: none"> ■ District only deals with one supplier ■ Orders are placed, delivered, and invoiced with one supplier 	<ul style="list-style-type: none"> ■ Some items may cost more since they are mixed together with the calculations for all products. ■ May limit the number of responding vendors ■ May limit the availability of specific brands

Solicitation Document Summary Chart

The solicitation document contains the: who, what, when, where, and how of the contract to all potential vendors. The solicitation document is the best opportunity for clearly defining your expectations.

Element	Information
General Information	<ul style="list-style-type: none"> ■ Identifies how business will be conducted ■ Identifies procedures for disputes ■ Describes invoicing procedures ■ Products specified are determined ■ Describes if substitutes (if allowed) can be made ■ Describes unique items to the contract
Information on the District	<ul style="list-style-type: none"> ■ Provide a lead paragraph about the district. Include a list of the school nutrition programs the district participates in and the approximate dates they are operated, the approximate number of annual meals served, a copy of a cycle menu, number of schools, and a brief description of the trained professionals on the SFA staff.
Contract Type	<ul style="list-style-type: none"> ■ It is important to identify the type of procurement (e.g., RFP, IFB, or small purchases) and resulting contract (fixed fee or fixed price).
General Descriptions of Goods and Services	<ul style="list-style-type: none"> ■ The general descriptions of goods and services to be required may include general products or services, such as frozen entrees, canned fruits and vegetables, and paper goods. ■ Clear, concise specifications describe the required characteristics of the goods and/or services. When one known brand name or product is used as the quality standard, regulations require the solicitation document to say brand name or preapproved equal. It is also important to identify any restrictions such as delivery times and frequency, dates, requirements for delivery (presence of stairs, truck access, etc.), dollar value for each delivery drop, and the type of storage available.
Pre-solicitation Meeting	<ul style="list-style-type: none"> ■ The pre-solicitation meeting gives potential respondents the opportunity to ask questions of the school nutrition director specific to the requirements of the solicitation. ■ The pre-solicitation meeting is held after the solicitation has been published, but before the closing date. This is an open forum meeting so all participants can have questions answered, and all participants hear the same answers. It is important to include in the public announcement the date, time, and location of the pre-solicitation meeting.

Solicitation Document Summary Chart

Element	Information
Procedural Issues	<ul style="list-style-type: none"> ■ Regarding date and time for solicitation submission, it is important to allow ample time for the respondents to research, prepare, and return solicitations responses prior to the due date; allowing too little time can create a barrier to competition. ■ Check with your district on specific instructions for submitting the solicitation package. Districts have different requirements. Providing a bulleted list or checklist will assist potential respondents in providing the required information. ■ It is important to identify the length of the contract and the possibility of renewals. Identifying the duration of the contract will allow vendors to estimate the volume, inventory, and other labor-related factors. Some states allow a current solicitation to be renewed for a maximum of four years. Check with your state agency in advance to determine what is applicable for your program.
Protest Procedures	<ul style="list-style-type: none"> ■ School districts usually have pre-established procedures for a vendor to contest the award decision. Outline the procedures or direct the respondents on how to locate the procedures. ■ An interested party may protest a solicitation for the procurement of property or services; the cancellation of such a solicitation or other request; an award or proposed award of such a contract; and a termination of such a contract, if the protest alleges that the termination was based on improprieties in the award of the contract. ■ Districts must have protest procedures in place to handle and resolve disputes relating to their procurements and shall, in all instances, disclose information regarding the protest to the awarding agency.
Technical Requirements	<ul style="list-style-type: none"> ■ Prior to being considered for an award, a respondent must first demonstrate that they are responsible by providing information on experience and past performance. ■ To be considered responsible, a respondent must: be capable of performing successfully under the terms and conditions of the contract; clearly indicate compliance without material deviation from the solicitation's terms and conditions; and possess, at the time of contract award, the experience, facilities, reputation, financial resources, and other factors necessary to fulfill the terms of the contract successfully.

Solicitation Document Summary Chart

Element	Information
Rebates	<ul style="list-style-type: none"> ■ Rebates are monetary returns. The velocity report obtained from the distributor will identify the quantity of product delivered for a specific time period. It may be necessary for the school district staff to submit the required manufacturer's documentation. The rebate is deposited in the school nutrition account according to district procedures. Solicitations that result in a cost reimbursable contract or contract that includes cost reimbursable provisions must require the return of all rebates, discounts, and other applicable credits. ■ The regulations require vendors under cost reimbursable contracts to provide sufficient information to permit the SFA to identify allowable and unallowable costs, as well as the amount of all such discounts, rebates, and other applicable credits on invoices and bills presented for payment to the SFA.
Substitutions	<ul style="list-style-type: none"> ■ Establish procedures in advance for delivering substitute items. Communicating the substitution procedures in advance will allow vendors to submit a more accurate quote for the products and will prevent items from being returned to vendors.
Special Conditions	<ul style="list-style-type: none"> ■ Many solicitations include a special conditions section. The more information the respondents have on the terms and conditions of the contract, the more thought they can provide to exacting their costs for doing business.
Price Escalations	<ul style="list-style-type: none"> ■ In general contract terms, an escalator/de-escalator clause or market-based pricing is a predetermined provision in a contract stipulating specific conditions for an increase or decrease in price. If such provisions are used they must tie price changes to an external, market accepted, verifier (i.e. an index).
Common Legalities	<ul style="list-style-type: none"> ■ Federal procurement regulations do not restrict the length of a contract unless it is for the services of a food service management company. State and local jurisdictions may have more stringent contract length stipulations. The federal procurement regulations and program specific regulations have provisions that must be provided in both the solicitation document and resulting contract. ■ Remember to include language pertaining to a drug-free work place, debarment, and Equal Employment Opportunity. It is the responsibility of the respondent to submit a solicitation response with the necessary forms and certifications that complies with federal, state, county, local, and school district regulations. ■ Check with your state agency for specific prototype forms required to complete the solicitation process.

Solicitation Document Summary Chart

Elements	Information
Code of Conduct	<ul style="list-style-type: none"> ■ Districts will maintain a written code of conduct governing the performance of their employees engaged in the award and administration of contracts. A code of conduct is a set of rules outlining the responsibilities of, or proper practices for, an individual or organization. The SFA must have a code of conduct governing the performance of the officers, employees, or agents engaged in contract awards and administration when the contract is funded in whole or in part by FNS program funds. ■ The code of conduct can be a stand-alone document, but it is often a part of the SFA's procurement plan. ■ The code of conduct must state specific guidelines and limitations for an employee's actions during the procurement process. It also must be especially clear about the need for employees to avoid real or perceived conflicts of interest in all procurement actions. ■ The perception of a conflict of interest, even if none actually exists, still brings the integrity of the SFA's procurement process into question. ■ Professional, social, and personal activities and actions that compromise the programs' integrity must be avoided at all times.
Required Forms and Certifications	<ul style="list-style-type: none"> ■ Identify the type of forms and certificates required when submitting the proposal. ■ A checklist developed by the SFA staff will assist potential respondents when replying to the solicitation. ■ The checklist will also assist in the review process.
Evaluation Criteria	<ul style="list-style-type: none"> ■ Determine in advance the criteria for evaluating the solicitations. ■ Include the evaluation criteria in the solicitation document. ■ Identify geographical preference products. <p>Note: Product specifications are used to avoid confusion and ensure that SNPs receive the items they want when they issue a solicitation document.</p>

Solicitation Document Summary Chart

Elements	Information
<p>Addition of New Products</p>	<ul style="list-style-type: none"> ■ All new products must be competitively procured. ■ Identify the process for adding new items in the solicitation document. ■ New products developed after the award of the contract may be added to the contract. Only items not specified elsewhere in the contract may be considered a new item. Be aware that the addition of new items cannot materially change the procured contract between the SFA and vendor. A product new to a manufacturer but not new to the industry does not constitute a new item. ■ Pricing will be subject to the terms and conditions outlined in the contract. ■ The district should screen new products (i.e., paper, appearance, taste), and has the right to reject or accept the product. ■ Consider adding a statement that all vendors will be notified in writing of the outcome of products submitted for testing, whether products are rejected or accepted, and notification will occur by (date).
<p>Example of the district's process for the addition of new products</p>	<p>The following information is intended only as an example.</p> <p style="padding-left: 40px;"><i>To: (name of location and address of purchasing agency)</i> <i>Attn: Purchasing Official</i> <i>Due date/time:</i></p> <p><i>Purchasing official(s) will review the products(s) and materials for consideration during the next solicitation phase. Upon completion of sampling, the purchasing official(s) reserve the right to approve or reject any or all samples submitted in the best interest of the (district/school) an all decisions shall be final.</i></p> <p><i>New products may be considered for purchase only upon receipt of a product sample and manufacturer's product information and/or specification sheet. Samples must be provided at no costs, labeled, and dated with product name and code number with product information, using storage and delivery conditions to ensure product safety and freshness. If product requires preparation for sampling, manufacturer must provide preparing and cooking instructions. All vendors will be notified in writing of the outcome of products submitted for testing, whether products are rejected or accepted, and notification will occur within 10 days of the product sampling.</i></p>

Solicitation Document Summary Chart

Elements	Information
Material Change	<p>A material change is a change made to a contract after the contract has been awarded that alters the terms and conditions of the contract substantially enough that, had other respondents (vendor/bidder) known of these changes in advance, they may have bid differently and more competitively.</p> <p>This means that when the SFA agrees to or allows a winning respondent to make changes to contract terms (including the terms of a contract renewal) that are materially inconsistent with the underlying solicitation document, the SFA has subverted free and open competition by denying all respondents the opportunity to compete under the same terms and conditions. In this situation the SFA must re-bid the contract.</p>

Baby Kale Solicitation Document Worksheet Sample

Instructions: Using the Solicitation Summary Document Chart complete the worksheet. Baby kale will be used as the example for the purpose of this activity. Note: If the element is non-applicable for this particular example, state that in the chart.

Element	Information
General Information	
Information on the District	
Contract Type	
General Descriptions of Goods and Services	

Baby Kale Solicitation Document Worksheet Sample

Elements	Information
Pre-solicitation Meeting	
Procedural Issues	
Protest Procedures	
Technical Requirements	
Rebates	

Baby Kale Solicitation Document Worksheet Sample

Element	Information
Substitutions	
Special Conditions	
Price Escalations	
Common Legalities	
Code of Conduct	

Baby Kale Solicitation Document Worksheet Sample

Elements	Information
Required Forms and Certifications	
Evaluation Criteria	
Addition of New Items	
Material Change	

Section 3—Solicitation for Goods, Products, and Services

Answer Key

Answer Keys

- Mock Procurement Timeline Worksheet Sample Answer Key
- Baby Kale Solicitation Document Worksheet Sample Answer Key

Mock Procurement Timeline Worksheet Sample Answer Key

Instructions: Identify the procurement tasks and the month the task should be completed to ensure an on-time delivery of goods, products, or services. Mark the column when the task has been completed.

Month(s)	Task(s)	Date Completed
August – September	<ul style="list-style-type: none"> ■ Begin preparing for procuring items. Planning approximately one year in advance provides sufficient time for preparation from all parties in the food chain. 	
October – December	<ul style="list-style-type: none"> ■ Write specifications. ■ Project USDA Foods needs. ■ Conduct screen test. ■ Remember fall and winter breaks may impact timeline. 	
January	<ul style="list-style-type: none"> ■ Develop solicitation document. Include pertinent information about the district; date and time for pre-solicitation conference and solicitation submission; scope of work; time period for the solicitation; any common legalities; ability for price escalations; name brand items; substitutions; discounts, rebates, and applicable credits; communication instructions with the district prior to the closing date; solicitation evaluation criteria. ■ Plan accordingly to have solicitation document and agenda item at school board meeting. ■ Modify proposal accordingly based on legal counsel’s directives. Remember fall and winter breaks may impact timeline. 	
February – March	<ul style="list-style-type: none"> ■ Propose solicitation document to school board. ■ Follow internal procedures. ■ Communicate to distributors and manufacturer and publicly announce the solicitation. ■ Publicize the solicitation document. ■ Conduct the solicitation meeting. ■ Allow a minimum of four weeks for vendors to respond. ■ Evaluate solicitations based on pre-established criteria and select vendors. 	
April – May	<ul style="list-style-type: none"> ■ Receive School Board approval for the selection of vendor. ■ Provide information to distributor and/or manufacturer. ■ Allow longer time for specialty items and name brand items. 	
June	<ul style="list-style-type: none"> ■ Communicate with stakeholders, determine delivery dates, and discuss school opening logistics. 	
July – August	<ul style="list-style-type: none"> ■ Receive product for upcoming school year. 	

Baby Kale Solicitation Document Worksheet Sample Answer Key

Instructions: Using the Solicitation Summary Document Chart complete the worksheet. Baby kale will be used as the example for the purpose of this activity. Note: If the element is non-applicable for this particular example, state that in the chart.

Element	Information
General Information	This solicitation is for the purchase of fresh baby kale, either plain-leaved or curly-leaved. The preference is for baby Dinosaur kale (also known as Lacinato, Tuscan, black or cavolo nero kale).
Information on the District	<p>District ABC self-operates food services, serving breakfast meals (approximately 4,000 per day) and lunch meals (approximately 10,000 per day) throughout the school year, beginning in late August and ending mid-June.</p> <p>A copy of the salad bar cycle menu is enclosed with this solicitation. Our 14 schools have self-service salad bars. Grades 6-8 schools and grades 9-12 schools also have pre-made entrée salads.</p>
Contract Type	This is a request for proposal.
General Descriptions of Goods and Services	<p>This solicitation is for the purchase of fresh baby kale, either plain-leaved or curly-leaved. The preference is for baby Dinosaur kale (also known as Lacinato, Tuscan, black or cavolo nero kale).</p> <p>Kale must be delivered in accordance with an established schedule, at least two times per week, to the 2 high schools, 2 middle schools and the 2 elementary schools that prepare all produce for meals.</p> <p>We anticipate our volume to be 100 pounds of kale twice per week, divided as follows:</p> <ul style="list-style-type: none"> ■ Each high school – 30 pounds per delivery ■ Each middle school – 20 pounds per delivery ■ The 2 elementary schools – 50 pounds per delivery
Pre-solicitation Meeting	A pre-solicitation meeting will be held Monday, June __, 20__ at the District's Administrative Office (123 Smith Avenue, Anytown USA) at 3:00 p.m. to 4:00 p.m. This is an open forum meeting.

Baby Kale Solicitation Document Worksheet Sample Answer Key

Elements	Information
Procedural Issues	<p>Proposals are due by 4:00 p.m. on Friday, June ____, 20___. Proposals may be mailed to Mary Smith, Procurement Director, District ABC at 123 Smith Avenue, Anytown USA or hand-delivered to the Procurement Office at the Administrative Office address referenced above.</p> <p>See below for details to be included in the submission.</p> <p>This contract is for the 20xx-20xx school year. There is a possibility of contract renewal for 2 additional years.</p> <p>Submitted proposals may be withdrawn by contacting Mary Smith, Procurement Director, District ABC at 123 Smith Avenue, Anytown USA in the Procurement Office at the Administrative Office address referenced above by June ____, 20__.</p>
Protest Procedures	<p>An interested party may protest the solicitation, the cancellation of the solicitation, or the award or proposed award of a contract by contacting Mary Smith, Procurement Director, District ABC at 123 Smith Avenue, Anytown USA in the Procurement Office at the Administrative Office address referenced above.</p>
Technical Requirements	<p>Include in the proposal:</p> <ol style="list-style-type: none"> 1. A company overview, including a current client list. 2. A description of your product packaging. 3. Anticipated delivery times for each location. 4. Product sourcing information by season. 5. Cost per pound. 6. An overview of the company's food safety procedures, including proof of at least two health inspections done in the past year, any USDA inspections, a copy of the company's HACCP plan and a copy of the Good Agricultural Practices (GAP) compliance plan. 7. A company profit and loss statement or other financial verification of viability, including an audited financial statement from the previous year). 8. Driver identification, driver's license information, and criminal history background search results. 9. Three references, including company address, point of contact, phone number, length of relationship and email address. <p>Return one original signed proposal with five copies. All responses must be in a sealed envelope, plainly marked with the vendor's name, and bid/proposal number.</p>

Baby Kale Solicitation Document Worksheet Sample Answer Key

Element	Information
Rebates	The district is not considering a rebate program for this solicitation.
Substitutions	<p>Based on estimated volume and the company's history of procuring kale, describe your substitution policy and also a list of potential product substitutions.</p> <p>Describe your procedure for notifying the district if a substitution is needed.</p>
Special Conditions	<p>The District requires all produce to be of domestic origin.</p> <p>There is preference for local product, defined as within the State of _____.</p> <p>Upon award, a weekly price sheet will be submitted and shall include all delivery and unloading charges.</p> <p>Orders must be delivered in a refrigerated truck.</p> <p>Orders will be emailed to the vendor 7 days before delivery.</p> <p>Deliveries must be made between 6:00 a.m. and 10:30 a.m.</p>
Price Escalations	N/A
Common Legalities	<p>District ABC is a drug-free and tobacco-free workplace.</p> <p>District ABC is an Equal Opportunity Employer.</p>
Code of Conduct	<p>During the solicitation period, all questions should be directed to Mary Smith, Procurement Director, District ABC at 123 Smith Avenue, Anytown USA in the Procurement Office at the Administrative Office at the address referenced above.</p> <p>Please refer to the enclosed Code of Conduct document for details.</p>

Baby Kale Solicitation Document Worksheet Sample Answer Key

Elements	Information
Required Forms and Certifications	<p>Please complete and return the following information:</p> <ul style="list-style-type: none"> ■ The solicitation document ■ Agreement form ■ Confidentiality agreement form ■ Company contacts (name, email, mailing address, phone, fax) ■ A copy of Hazardous Analysis Critical Control Point (HACCP) program ■ Product recall plan ■ Certification statements: <ul style="list-style-type: none"> • Code of conduct • Debarment and suspension • Lobbying • Drug-free work environment • Equal Opportunity Employment Act of 1975 statement • Employment verification
Evaluation Criteria	<p>The evaluation is based on best overall value to the district:</p> <ul style="list-style-type: none"> ■ Price proposal (30 points) ■ Extent to which services meet the District's needs (20 points) ■ Financial strength (5 points) ■ Qualifications and experience (20 points) ■ References (20 points) ■ Other considerations, offers, programs and services beneficial to the District (5 points)

Baby Kale Solicitation Document Worksheet Sample Answer Key

Elements	Information
<p>Addition of New Products</p>	<p>New products may be considered for purchase only upon receipt of a product sample and manufacturer's product information and/or specification sheet.</p> <p>Samples must be provided at no cost, labeled, and dated with product name and code number with product information, using storage and delivery conditions to ensure product safety and freshness.</p> <p>If products require preparation for sampling, instructions for preparing and cooking must be provided for product to be considered.</p> <p>Product and information must be submitted with the following information: To: (name of location and address of purchasing agency) Attn: Purchasing Official, _____ Due date/time: _____</p> <p>Purchasing official(s) will review the product(s) and materials for consideration during the next solicitation phase. Upon completion of sampling, the purchasing official(s) reserve the right to approve or reject any or all samples submitted in the best interest of the (district/school), and all decisions shall be final.</p> <p>All bidder's will be notified in writing of the outcome of products submitted for testing, whether products are rejected or accepted, and notification will occur by (date).</p>
<p>Material Change</p>	<p>N/A</p>

Section 4—Contracts

Handouts

- Purpose of a Written Contract Summary
- Written Contract Guide Checklist
- Type of Contracts Advantages and Disadvantages Summary
- Contract Award
- Basic Types of USDA Foods Processing Agreements
- USDA Foods Decision Making Worksheet

Purpose of a Written Contract Summary

Solemnity of the Commitment

A contract impresses upon the parties the solemnity of the occasion. It requires the parties to seriously consider the effects of their performance or nonperformance. Signing the contract is the formality that has the effect of convincing the parties of the importance of their commitments.

Record of the Deal

A contract is a record of the deal. Over time, especially when there is a dispute, parties tend to remember what is favorable to their position. The contract stands as an objective record of their intentions. The SFA staff must ensure that all provisions in the contract are not only well thought out but bear resemblance to the needs and requirements articulated in the solicitation. Numerous laws require a written document to make a particular type of deal; thus, a contract fulfills this written requirement.

Dispute Resolution Mechanism

A written contract serves as a dispute resolution mechanism. A good contract provides a dispute resolution mechanism for the times when there is a communication breakdown. In one instance, the contract may provide a means for the cure of a breach. In addition, the contract may provide for mediation or binding arbitration among the parties through an arbitration service.

In many cases, the SFA staff will list a hierarchy of documents by which to resolve contract dispute issues. This hierarchy can be especially important in school nutrition related contracts in which the solicitation and contract are both very important documents that convey the need for goods, services, and management capabilities.

Feasible and Economically Viable Litigation

In case a dispute arises that the parties must litigate, a written contract should include clauses which make litigation feasible and economically viable. For example, without an appropriate clause, the prevailing party usually cannot recover attorney's fees. If attorney's fees exceed the amount of damages recoverable, there may be no incentive for the injured party to recover damages.

With an attorney's fees clause, the loser pays the prevailing attorney's fees, thus making litigation an important option. The existence of such a clause is often the only thing that makes litigation economically sound. It also has the preventative effect of compelling the parties to follow the contract because they know if one has a breach of contract the other has a viable means of recovery.

Written Contract Guide Checklist

Review this list when developing a written contract. Remember to check with your district's legal authority before signing or implementing any contract.

Element	Included
Contract duration	
Identification of the parties in the contract	
Scope of work (i.e., a detailed description of duties to be performed, hours of work, performance descriptions, levels of performance, and required outcomes)	
Product specifications	
Type of contract (i.e., fixed price or cost reimbursable with fixed fee)	
Payments	
Contract renewal options, including terms, conditions, and (as applicable) provisions for price changes	
Contract modification and change procedures	
Default and breach of contract provisions, remedies, cancellation procedures, and penalties	
Required compliance certifications and sanctions for noncompliance	
Contract termination rights for cause and convenience	
Recordkeeping requirements	
The laws and regulations that govern the contract	
Requirements that all costs be the net of all discounts, rebates, and other applicable credits	
A clear methodology for tracking costs to ensure that they are the net of all discounts, rebates and other applicable credits	
Any sanitation and licensing requirements	
Professional certification requirements or minimum levels for required experience or education	

Type of Contracts Advantages and Disadvantages Summary

Type of Contract	Advantages and Disadvantages
<p>Fixed Price and Fixed Fee Price</p>	<ul style="list-style-type: none"> ■ Protects against escalating costs ■ Provides a stated price ■ No upward or downward adjustment for the duration of the contract, including all renewal periods ■ Firm prices and do not change ■ Price will generally be higher ■ Provides maximum incentives for vendor efficiency ■ Least administrative burden on the contracting parties ■ Competitive sealed solicitations (i.e., IFB) must result in a fixed price contract ■ May contain an economic price adjustment tied to an appropriate index
<p>Cost Reimbursable</p>	<ul style="list-style-type: none"> ■ Reimburses the vendor for costs incurred under the contract ■ Does not provide for any other payment ■ Allowable costs will be paid from the nonprofit school nutrition account to the vendor net of all discounts, rebates, and other applicable credits accruing to or received by the vendor ■ Requires vendors to provide sufficient information to permit the SFA to identify allowable and unallowable costs and the amount of all such discounts, rebates, and credits on invoices and bills presented for payment to the SFA; Vendor required to identify those costs ■ Use when uncertainties involved in a contract's performance will not allow costs to be estimated with enough accuracy to use fixed contract pricing ■ Frequently occur in the SNP as cost plus fixed fee contracts ■ Must require the return of rebates, discounts, and other applicable credits ■ Must include provisions ■ SFA can only pay allowable costs ■ Documentation of these costs and discounts, rebates, and other applicable credits will be required to be available for review by the SFA, state agency, or FNS ■ Failure to comply with program regulations could require a district to utilize general funds to cover some or all of the costs of the contract

Type of Contracts Advantages and Disadvantages Summary

Type of Contract	Advantages and Disadvantages
Cost Plus Fixed Fee	<ul style="list-style-type: none"> ■ Provides for the reimbursement of allowable costs plus the payment of a fixed fee to the vendor ■ Use when market conditions are such vendors are unwilling to commit to a fixed price for an extended period ■ Provides for upward and downward revision of the stated contract price upon the occurrence of specified occurrence of specified contingencies (i.e., cost indexes of labor or material) ■ Must be specifically identified ■ Fees are clearly defined in the contract and incidentals, such as promotion allowances, cash discounts, label allowances, rebates, applicable credits, and freight rates ■ Fees discussed and agreed upon before signing the contract ■ Clearly state that price adjustments should reflect both increases and decreases (e.g., fuel prices drastically increase price goes up and when fuel prices decrease price goes down). ■ RFPs can result in either a fixed price or cost reimbursable contract. ■ Vendor provides supporting documentation for auditing purposes upon request from the SFA staff ■ Cost must be adequately documented for the vendor to receive reimbursement. ■ Include fees that are fixed, documented, and cannot fluctuate based on volume. ■ Fixed fee component of the cost plus fixed fee contract does not represent the costs associated with the item and/or service being purchased. The fixed fee component of the cost plus fixed fee represents the vendor's related costs (i.e., storage and distribution, delivery of the products, and the vendor's profit for performing the services). ■ Provisions for changes to the fixed fee component must be identified in both the solicitation and the contract. ■ Provides the vendor with only minimum incentives to control costs ■ Work required presents too great a risk to vendor

Type of Contracts Advantages and Disadvantages Summary

Type of Contract	Advantages and Disadvantages
<p>Maximum Allowable Costs (Fixed Price Contract with Prospective Price Redetermination)</p>	<ul style="list-style-type: none"> ■ A maximum allowable cost contract (fixed price contract with prospective price redetermination) provides for a fixed price for the initial contract period and prospective price redetermination at stated times during the contract or for subsequent periods of performance. ■ Fixed fee designed to cover all operational costs and any additional fees of the contract ■ Fixed fee is reconciled at the end of the year against actual cost ■ School is reimbursed any amount that was overpaid or is cleared of any amount that was over the fixed fee. ■ USDA considers this type of contract to be a cost reimbursable contract because price is not actually fixed and fluctuates. ■ Contain the required language regarding the return of discounts, rebates, and other applicable credits ■ Initial fixed price is for the longest period possible, and price changes are based on measurable standards or indices. Indices are essentially published price guides and should be clearly identified in the solicitation and contract and also should be verifiable (e.g., publicly accessible).

Contract Award

The contract award is the ultimate communication mechanism for all those involved in the supply chain to adequately prepare to execute their products or services. The award components can be included in the solicitation document, and their inclusion may be a requirement in some states.

Negotiation of the Technical Proposals (RFPs)

- Conduct negotiations with the companies that submitted the top ranked technical proposals.
- Ensure that all vendors have the same opportunity to negotiate.
- Do not discuss another companies pricing during the negotiation.
- Ensure each of the technical proposals in this group fully meet the team's needs, even if the companies have proposed very different approaches.
- Identify the importance of each feature all parties need to understand equally and how these features will be weighted during the proposal evaluation process.
- Before opening cost proposals, be sure that any of the companies whose cost proposals are opened could perform successfully and meet all of the technical needs.
- Open the companies' cost proposals and permit the companies to amend their cost proposals to reflect any changes resulting from the technical proposal negotiation phase.
- Allow vendors to modify their technical proposals if the RFP made clear to all vendors that this was permitted.
- Negotiate other contract terms (e.g., financial provisions) with each of the responsive and responsible companies.
- Review each of the responsive and responsible companies' proposals.
- Rank the proposals.
- Award the contract.

Basic Types of USDA Foods Processing Agreements

Agreement	Description
National Processing Agreement	In an effort to reduce costs and paperwork, USDA FNS has taken on the role of holding the agreement with the processor and approving all of the end products that will be manufactured under the agreement. All multi-state processors must have a national processing agreement in place.
State Agreement	Under a state agreement, the distributing agency negotiates solicitations and/or prices, selects the processor and the end products which will be produced, and enters into an agreement with the processor.
Recipient Agency Agreement	Under a Recipient Agency (RA) agreement, the RA, school, or other eligible agency enters into an agreement with the processor. This kind of arrangement requires the approval of the distributing agency. Once approved, the RA may purchase end products from that processor. An RA agreement should be used after the agency has completed its procurement process.
State Master Agreement	Under a state master agreement, the distributing agency enters into an agreement with the processor, and only designated eligible RAs may purchase end products from the processor.

Section 4—Contracts

Answer Key

Answer Key

- USDA Foods Decision Making Worksheet Sample Answer Key

USDA Foods Decision Making Worksheet Sample Answer Key

Instructions: In determining whether USDA Foods processing will be beneficial to your operation, what questions should you ask? Provide your responses in the space provided.

- What kind of storage is available in your district?
- How many deliveries per week do you require?
- How many locations require delivery?
- How often will the item be menued?
- Does the state agency offer USDA Foods processing?
- When do you need to place your order for USDA Foods processing?
- How will the food safety measures of USDA Foods processing be identified in your HACCP plan?
- Who will develop the product specifications for the USDA Foods processing items? Are these items available commercially?
- How will the USDA Foods processing items be tested for acceptability?
- What are the food cost benefits of utilizing USDA Foods processing items?
- What are the labor cost benefits of utilizing USDA Foods processing items?
- Will you be able to secure the USDA Foods processing product in the quantity to meet the needs of your menus?
- Will you need to procure a similar product on your solicitation specification?

Section 5—Cooperative Purchasing Groups

Handouts

- Advantages and Disadvantages Worksheet Sample
- Advantages and Benefits Worksheet Sample
- Disadvantages and Considerations Worksheet Sample
- Determining Your District's Needs Template
- Responsibilities of Being a Member of Cooperative Purchasing
- Exploring Local Cooperative Purchasing Groups: Questions to Ask Representatives
- from Other School Districts Who Are Cooperative Members Template
- Exploring Local Cooperative Purchasing Groups: Questions to Ask State Agencies and
- Professional Organizations Template
- Exploring Local Cooperative Purchasing Groups: Questions to Ask the Cooperative's
- Officers or Designated Representative Template
- Evaluating Cooperative Purchasing Groups: Will They Meet Your Needs? Template
- Presenting to District Administrators: Why Should We Join a Cooperative? Template
- Cooperative Purchasing Group Interest Survey Template
- Frequently Asked Questions: Cooperative Purchasing

Advantages and Benefits Worksheet Sample

Instructions: Identify the benefits for each advantage listed in the column. Write your responses in the appropriate column.

Advantages	Benefits
Increased Purchasing Power	
Realistic Projections	
New Menu Items	
Labor Reduction	

Advantages and Benefits Worksheet Sample

Advantages	Benefits
Direct to Manufacturer Purchasing	
Increased Volume and Volume Discounts	
Networking Opportunities	
Governing Board and Advisory Group	

Disadvantages and Considerations Worksheet Sample

Instructions: Identify the considerations for each disadvantage listed in the column. Write your responses in the appropriate column.

Disadvantages	Considerations
Consensus Among Members	
Deliveries	
Minimum Cases	
Elimination of Distributors	

Disadvantages and Considerations Worksheet Sample

Disadvantages	Considerations
Increased Food Cost	
Storage	
Administrative Costs	

Determining Your District's Needs Template

Instructions: Ask yourself the following questions about your current procurement procedures, and write your answers in the spaces provided. As you examine your current system, think about how changing your delivery methods would affect your school nutrition operations. This template is designed as a tool and should be modified to meet your district's needs.

What is your current delivery schedule? Write down which items (such as produce, dairy, paper goods, etc.) you receive on which days of the week and from which distributors.

Monday: _____

Tuesday: _____

Wednesday: _____

Thursday: _____

Friday: _____

How would more or less frequent deliveries affect your daily operations?

Do you need items delivered to multiple sites within your district? (YES or NO)

Does your district have any specific time constraints or limitations for deliveries?

If you could only have products delivered to a central location, would you be able to distribute them effectively? How would you accomplish this?

What is the current storage capacity of your facilities, relative to the size of the deliveries you are currently receiving? Could you accommodate larger deliveries? If so, how much larger volume can you accommodate?

Would additional shelving, freezers, etc., need to be purchased to accommodate larger deliveries? (YES or NO) If so, how much additional equipment would you need, and what would be the cost?

Responsibilities of Being a Member of a Cooperative Purchasing Group

Once you have decided to join or form a purchasing cooperative, make the most of your investment. Be a member in good standing and contribute to the success of the group.

Here are some best practices to follow.

- Designate and train an individual who will serve as the liaison between the district and the cooperative purchasing group.
- Gain district support for the designated liaison to participate on committees, attend meetings, and be involved in other activities that may be required by the cooperative purchasing group.
- Develop a master product list. Share it among member school districts. Ideally members will agree on all products on the list.
- Forecast estimated usage with realistic quantities.
- Attend regular meetings. Participate in activities such as combining product lists and student taste tests.
- Demonstrate the ability to plan menus using foods upon which the group has agreed. A central menu cycle for the cooperative purchasing group is not necessary to operate successfully, but it can reduce paperwork for member school districts. Share menus and related forms.
- Develop quality standards that specify the description of items that will be purchased. It is important to become familiar with the quality standards that are in place for your school district and to compare those with the quality standards that the cooperative purchasing group uses. Learn and understand what those quality standards mean.
- Establish a routine schedule to verify that the items received meet quality standards, and report all identified problems to the designated cooperative officer.
- Provide accurate quantity projections to ensure solicitation integrity.
- Conduct ongoing analysis of velocity reports comparing the estimated quantity provided to the distributor to the actual quantity of product purchased. Best practice is conducting a quick, monthly analysis and a more detailed analysis every three months.

Exploring Local Cooperative Purchasing Groups: Questions to Ask Representatives from Other School Districts Who Are Cooperative Members Template

Instructions: Use this guide when contacting a representative from another school district who is currently a member of a cooperative purchasing group. Circle YES or NO as they answer each question, and use the space allowed to document their answers. These questions can be asked over the phone or sent in an e-mail.

Name, title, and contact information of the person you are interviewing:

Is the cooperative purchasing group able to provide all the products you need? (YES or NO) If not, explain the circumstances. How has this problem been resolved?

Are you satisfied with the quality of the products provided? (YES or NO) If not, why not? What specifically has been unsatisfactory?

Are your administrators satisfied with the cooperative purchasing group? (YES or NO) If not, why not? What specifically has been unsatisfactory?

Do deliveries usually arrive on time? (YES or NO) If not, how late were the deliveries? How often have they been late? Were there penalties; if so what were they?

Are product shortages or substitutions a concern? (YES or NO) If not, explain the circumstances.

Are there other membership benefits that you have discovered? Are you satisfied with your membership in the group overall? (YES or NO) If not, what specifically has been unsatisfactory?

What were some of the challenges you encountered in your transition and how did you resolve them?

Exploring Local Cooperative Purchasing Groups: Questions to Ask State Agencies and Professional Organizations Template

Instructions: Use this form as a guide when contacting state agencies or professional organizations for information on existing cooperative purchasing groups in your area. Circle Yes or No as they answer each question, and use the space allowed to document their answers. These questions can be asked over the phone or sent in an e-mail.

Name, title, and contact information of the person you are interviewing:

Do you know of any cooperative purchasing groups in the area? (YES or NO) If yes, list names and contact information below:

Do the cooperative purchasing groups in the area hold public status or are they private/ third parties whose services must be procured?

Do other districts in the area participate in cooperative purchasing groups? (YES or NO) If yes, list names and contact information:

Do you know of any districts that were members of a cooperative purchasing group and are no longer members of the group? (YES or NO) If yes, list names and contact information:

What is the reputation of these cooperative purchasing groups among their members and local distributors?

How would you rank the cooperative purchasing groups in terms of their product quality and service?

Have any of these cooperative purchasing groups been involved in legal disputes involving regulatory violations or a breach of contract with distributors or members? (YES or NO) If yes, explain the circumstances.

Exploring Local Cooperative Purchasing Groups: Questions to Ask the Cooperative's Officers or Designated Representative Template

Instructions: Use this form as a guide when gathering information directly from a representative of a cooperative purchasing group. These questions can be asked over the phone or sent in an e-mail.

Name of the cooperative purchasing group:

Name, title, and contact information of the person you are interviewing:

What are membership advantages?

Are there membership fees or other requirements for joining the cooperative?
(YES or NO) If yes, what are the fees and the requirements?

How is transparency maintained?

What mechanism exists for the return of rebates, discounts, credits, and surplus funding from membership fees and how often is reconciliation performed?

What products does your cooperative group offer? (Request a written list of high volume products.)

How are products chosen for the solicitation?

If I need products not currently offered, can they be added to the offerings without creating a material change? (YES or NO)

What is the delivery schedule? What is the minimum/maximum quantity required for each delivery?

Is it possible to obtain items outside of the regular delivery schedule? (YES or NO)
Are there penalties for mistakes or oversights on orders? (YES or NO) If yes, what are the penalties?

What documentation do you require (e.g., HACCP plan, disbarment forms).

Evaluating Cooperative Purchasing Groups: Will They Meet Your Needs? Template

Instructions: Use the chart below to help determine whether cooperative purchasing groups in your area will be able to meet your school district's needs. Rank each factor as Excellent, Good, Satisfactory, Poor, or Unacceptable. Add the scores. The scores will range from 0 to 28 points, with 28 being the highest. This measure can help determine whether a cooperative is a good match for your district and help to compare cooperatives if there are multiple groups in your area.

Name of Cooperative: _____ **Date:** _____

Evaluating Cooperative Purchasing Groups					
Criteria	Excellent 4 points	Good 3 points	Satisfactory 2 points	Poor 1 point	Unacceptable 0 points
The cooperative offers the products we need.					
The products are equal or better than current quality.					
The pricing is equal or better than current pricing.					
The cooperative has a delivery schedule that will work for us.					
The cooperative will deliver in quantities we can accommodate.					
The cooperative has a good reputation among current members.					
The cooperative is in compliance with district regulations and policies.					
Total Points: _____					

Presenting to District Administrators: Why Should We Join a Cooperative? Template

Instructions: Once you have gathered the necessary information regarding the cooperative purchasing group, it is important to communicate your findings and obtain approval from the district administrators. To do this, you may have to attend an informal meeting or provide a presentation at a school board meeting. Keep in mind that the next available meeting might be several weeks away, so plan ahead to get on the agenda early. The outline and mock script below can serve as a template as you compile and organize a 10 minute presentation. Keep the presentation short and simple.

Introduction (2-3 minutes)

Give a brief description of what a cooperative purchasing group is and what it does for its members. Describe the cooperative purchasing group you would like to join; including how long it has been operating, how many members it has, who those members are, and its reputation. If you spoke with participating members who are satisfied with the cooperative, describe their feedback regarding the products, service, and cost savings provided by the cooperative.

Advantages of Participation (2-3 minutes)

The main benefits of joining a cooperative purchasing group are time savings, networking, and cost savings. Give examples of some of the ways it will save time. Be prepared to provide numbers when discussing cost savings. Give an estimation of the dollar amounts or percentage that will be saved on each order or on an annual basis.

Possible Disadvantages (2-3 minutes)

If there are disadvantages (e.g., immediate, short-term expenses) involved in joining the cooperative purchasing group, explain that there are compensating advantages (e.g., long-term savings). If the cooperative charges membership fees or delivers in large quantities that will require the purchase of additional storage equipment or renting storage, give an estimate of these costs and justify the investment.

Conclusion (1-2 minutes)

The administrators are interested in the bottom line. Review the cost saving potential of joining the cooperative purchasing group. Be sure to leave some time for questions or comments at the end of your presentation. When you have finished, find out what will be the next step in the approval process for joining the cooperative.

In the event several districts are considering forming a brand new cooperative group, details can be found in the section entitled, Forming a Cooperative Purchasing Group.

Cooperative Purchasing Group Interest Survey Template

Instructions: Before sending the survey to district directors in the area, consider an email to each explaining the plans for a general meeting to consider forming a purchasing cooperative. It is advisable to use a conservative estimate when completing the survey.

1. This survey is for _____ (Identify the product such as bread, canned goods, and paper goods)
2. What is your total enrollment? _____ What is your ADP for lunch? _____ What is your ADP for breakfast? _____
3. On average, how many hours a month do you spend on developing product specifications? _____ hours
4. On average, how many hours a month do you spend on purchasing? _____ hours.
5. Approximately what is your annual food budget for lunch? _____ For breakfast? _____
6. How often do you make food purchases (weekly, bi-weekly, monthly)? _____
 How many distributors do you use to purchase food? _____
 List all sources: _____
7. How many deliveries do you receive each week? _____
8. Is your food delivered to a central location? Yes No
 If not, how many delivery sites do you have? _____
 Do you know the benefits of belonging to a cooperative purchasing group? Yes No
9. Would you consider joining a cooperative purchasing group if it could save you time? Yes No
10. Would you consider joining a cooperative purchasing group if the savings were clear? Yes No
11. Would you consider joining a cooperative if it gave you access to a greater variety of food? Yes No
12. Would a membership fee deter you from joining a cooperative? Yes No
13. Would you like to learn more about the member-based cooperative purchasing group? Yes No
 If yes, what day of the week is best for you to attend a 45-minute afternoon meeting? _____

Thank you for your time in completing this survey.

Frequently Asked Questions: Cooperative Purchasing

Will I lose control of my program if I join a cooperative purchasing group?

You should not lose control of your program; however, to realize the cost savings for all, you will have to comply with the needs of the majority of the group. Before joining, you should thoroughly review all factors and decide if a cooperative purchasing group is a real benefit for your district. Some factors to consider include the ability to get the products you need at a cost savings and the similarity of the districts and the group's needs.

What are the expectations of the cooperative purchasing group?

As a member, you will be expected to be a member in good standing. Your particular time commitments, money, and expertise should be clearly spelled out in your agreement. When all members do not fully participate, they are dependent on the decisions of the members who do participate. Members who do not fully participate may disagree with the decisions that impact the entire group.

What should my application for cooperative purchasing membership and agreement include?

The membership application should contain the:

- applicant's request to become a member,
- signature of the applicant's school food authority,
- statement of the cooperative's acceptance of the applicant,
- signatures of the cooperative's president and secretary, and
- statement of the intent and duty of the member.

Are the needs of my district similar to other members' districts?

That is something you would find out in your initial research on whether to join. If your district has similar menu items, supply needs, or delivery schedules as the other members' districts, you may find it is beneficial to join the cooperative purchasing group.

What should I consider when looking at menu items?

You will want to look at your menus and forecast your needs. Many districts have discovered they spend approximately 80% of their food budget on 20% of the menu items. If your district's high volume menu items are included on the solicitation specifications it may be advantageous for your district to consider joining the cooperative purchasing group.

How do existing cooperative purchasing groups work?

You will have to find out how the existing cooperative purchasing group works in your area. Cooperatives are different around the country. There are some commonalities among cooperatives. Cooperatives operate by acquiring savings for their members with high volume purchasing. Members usually pay a membership fee and adhere to laws and requirements for membership in good standing.

What are the costs to my district when joining a cooperative purchasing group?

Before deciding to join a cooperative purchasing group and making a logical and justifiable presentation to your district authorities, you must research all costs that are associated with membership: administrative fees, membership fees, additional delivery fees, and any penalties. It is also important to identify whether the quality of menu items will meet or exceed your current standards.

Are membership agreements binding?

As with any legally signed document, agreements are binding. And, with any legal document, you should check with your district's business office or legal counsel for the appropriate protocol before signing the agreement. It is also important to understand any additional fees or requirements in case of termination of the agreement.

Where can I go for additional training?

This resource should be helpful in answering your general questions about cooperative purchasing groups. If you need additional training, you may want to contact other members of the purchasing group, check with your state agency that administers the SNPs, and/or contact your local SNA chapter or NFSMI for information. You may find that your organization's legal department and purchasing department may also be helpful.

Will small operational distributors be affected?

It is possible small operational distributors will be affected. In order for the cooperative purchasing group to receive the best price for a product, a commitment often has been made to a primary distributor. The small distributors that your district may have done business with in the past, may or may not have the capacity or resources to adequately respond to the much larger cooperative purchasing group solicitation. Your district also has a choice of what items to purchase through the cooperative purchasing group.

Can unique items be added to the list of offered items?

You will need to check the agreement to see how and if unique items can be added to the list of offered items. Remember, if the distributor can supply it, the item may carry a higher price because of its uniqueness. Please be aware that the addition of new items cannot materially change the procured contract between the cooperative and vendor. A material change is based on the cooperative making a change to their contract terms that is materially inconsistent with the underlying solicitation document and may require a re-solicitation. Developing written procedures in advance of addressing the addition of new items can assist if and when the situation occurs.

Do cooperative purchasing groups have legal counsel?

Cooperative groups differ around the country. It is highly recommended to seek an attorney familiar with state cooperative statutes. An attorney's responsibilities are to prepare the organization's guiding documents, check the legality of papers written, write agreements and contracts, borrow money, and assist in making capitalization plans. Even after the cooperative is operating, an attorney should be retained to help ensure the cooperative conforms to applicable laws.

When my district joins a cooperative purchasing group, will I have an equal voice?

As a member of a cooperative group, your voice should be equal; however, in order to obtain the cost savings associated with the group, the group operates as one. You are encouraged to be an active member, attend meetings, and ask for clarifications on procedures. Clarify when and how new members can join the cooperative purchasing group after the initial application period.

If I join a cooperative group, will I be able to buy local unprocessed products?

Many school districts prefer to buy local, unprocessed, fresh, or raw food products. Check with the cooperative group you are considering and see if local and/or unprocessed food products are available. The USDA rules now allow for geographic preference in the purchase of local, unprocessed agricultural products.

Does the Cooperative allow for Farm to School Purchasing?

Farm to School is becoming very popular. Check with the cooperative you are considering and determine if this type of purchasing is available.

What behavior does USDA prohibit?

USDA prohibits any restrictive behavior from administrators of the SNPs or their respondents (vendors). The procurement process is intended to offer free and open competition to those who have the capacity to respond to a solicitation. Unethical behavior is forbidden and should not be tolerated. See Title 7 of the Code of Federal Regulations Part 3016.36 for further information.

How do cooperative purchasing groups gain their knowledge?

Cooperatives pool the knowledge of member buyers who can learn from one another. Each member of a cooperative purchasing group brings to the team knowledge of products and distributor reliability for the collective benefit of all. Cooperatives across the country are different, as are their operating structures and requirements. Your agreement will identify your role as a member.

What records should I keep and for how long?

As with any SNP document, you should keep your records for a minimum of three years, plus the current fiscal year. Some records that fall into this category would be your membership application and agreement, all meeting agendas and notes, invoices for fees, and any other papers or forms signed by you or your district authority pertaining to the cooperative group.

How big does a cooperative have to be for volume savings?

A cooperative purchasing group's lowest possible operating costs occur when its members furnish it with the maximum amount of business it can handle. Once you have an idea of how many school districts will participate, how many similar items will be purchased, transportation, and delivery details, you can determine the cost savings for your district. Transportation is the process of moving food and non-food products from one site to another.

How should I respond if distributors offer gifts?

You should respond in an ethical manner and refuse any gifts or rewards of loyalty. Examples of gifts could be special event tickets, money, or any other forms of special treatment (including incentives that benefit students such as scholarship offers that are not included in the original solicitation) in exchange for doing business with the distributor. Any staff hired to oversee the cooperative should also refuse gifts or awards.

Where does a rebate go?

A rebate helps offset expenses and acts as a purchasing incentive. All cost reimbursable contracts (including contracts with cost reimbursable provisions) must require the return of all rebates, discounts, and other applicable credits to the SFA. In setting up a new cooperative, a structure must be in place to ensure that each SFA receives its allocable portion of rebates, discounts, and credits. This allocation would be determined based on the SFA's percentage of the purchased amount. Rebates need to be clearly documented, and the method and frequency of reconciliation must be explicitly agreed upon.

Section 5—Cooperative Purchasing Groups

Answer Key

Answer Keys

- Advantages and Disadvantages Worksheet Sample Answer Key
- Advantages and Benefits Worksheet Sample Answer Key
- Disadvantages and Considerations Worksheet Sample Answer Key

Advantages and Disadvantages Worksheet Sample Answer Key

Advantages	Disadvantages
<ul style="list-style-type: none">■ Increased purchasing power■ Realistic projections■ New menu items■ Labor reduction■ Direct to manufacturer purchasing■ Increased volume and volume discounts■ Networking opportunities■ Governing board and advisory group	<ul style="list-style-type: none">■ Consensus among members■ Deliveries■ Minimum cases■ Elimination of distributors■ Increased food cost■ Storage■ Administrative costs

Advantages and Benefits Worksheet Sample Answer Key

Instructions: Identify the benefits for each advantage listed in the column. Write your responses in the appropriate column.

Advantages	Benefits
<p>Increased Purchasing Power</p>	<p>Cooperative purchasing groups negotiate purchasing contracts with distributors as one large entity. The larger volume enables school districts to leverage their collective purchasing power and potentially receive lower prices. For example, if eight school districts purchase frozen broccoli spears individually, the distributor may not consider the broccoli a high volume item and the price may be higher for each of the eight individual districts.</p> <p>The individual districts also may select different distributors to purchase the broccoli. If these same eight districts join the cooperative purchasing group, their combined total number of cases of broccoli to be purchased and standardized specifications will be negotiated with the distributor. Buying broccoli as a collaborative group can help to increase buying power. The distributor will see an increase in the sale of broccoli, and the districts will see the cost savings due to the combined higher volume purchased. In addition, it is less labor intensive for the vendor to compile one bid package for the group rather than eight individual bid packages.</p>
<p>Realistic Projections</p>	<p>It is important to provide the distributor with a realistic projection of the actual quantities to be purchased. Overestimating quantities is not beneficial to the cooperative purchasing group because it commits them to purchasing a specific quantity of product that could be grounds for a bid protest. It is also not beneficial to the distributor as this will increase their cost and inventory of the product.</p>
<p>New Menu Items</p>	<p>A cooperative purchasing group offers a combined and enhanced product knowledge base. To meet the needs and tastes of school nutrition customers, food processors develop a wide variety of products. The typical school nutrition operation purchases more than 500 different items. With their many responsibilities, directors are challenged to stay abreast of all new school products. The combined buying power may influence the quality and improve the availability of unique menu items. Successful menus are often shared among members. Providing higher quality meals and offering new and different menu items can contribute to customer satisfaction and increased participation.</p>

Advantages and Benefits Worksheet Sample Answer Key

Advantages	Benefits
Labor Reduction	School nutrition departments can purchase from a variety of distributors. Cooperative purchasing groups often have a prime distributor which results in fewer deliveries, fewer invoices, less paperwork, fewer checks written, and less labor costs. Multiple deliveries from multiple distributors interrupt the work day at each site and proper receiving is labor intensive and thus expensive to the district. Although it is a cost-effective advantage to reduce deliveries, it is imperative to determine if your district has adequate storage space to accommodate the large delivery volume. Additionally, districts can share the work involved in conducting procurements and managing contracts.
Direct to Manufacturer Purchasing	Cooperative purchasing groups provide the opportunity to purchase large volume items directly from the manufacturer. It is advantageous and cost-effective to purchase directly from the manufacturer because it can eliminate the incentives and cash awards the manufacturer provides to the distributor. For example, cooperative purchasing groups containing a combined enrollment of 100,000 students or more may provide the necessary volume and serve as an attractive option for some food manufacturers. When the enrollment threshold is reached, the governing body of the cooperative purchasing group may consider this option for high volume items to realize even greater savings.
Increased Volume and Volume Discounts	A cooperative purchasing group may be advantageous for small to medium school districts or a district located in a rural location. Larger districts usually have a staff dedicated to overseeing the procurement functions. In small to medium-sized districts, a director may serve as the supervisor, nutritionist, accountant, personnel manager, and food purchaser; by engaging in a cooperative purchasing group, districts can share procurement expertise and achieve lower prices and higher quality due to larger volume group purchases.
Networking Opportunities	Belonging to a cooperative purchasing group is an excellent opportunity to share new ideas and network with other district directors, allowing newer group members to benefit from the knowledge of more experienced district directors. Each member of the group brings different information about products and distributors which allows members to share and learn from each other. Relating knowledge, learning experiences, and hardships can provide insight to help eliminate or reduce potential problems.

Advantages and Benefits Worksheet Sample Answer Key

Advantages	Benefits
<p>Governing Board and Advisory Group</p>	<p>One of the most recognizable benefits of belonging to a cooperative purchasing group is the decision making of the group's governing board. As a member of the group, a director has access to support from a skilled leadership team and governing board to help find solutions to procurement problems.</p> <p>A designated individual from the cooperative purchasing group has direct contact with the distributor awarded the contract. For example, if a distributor fails to comply with the contract terms, the problem is addressed by a designated representative of the cooperative purchasing group with consent of the governing body. That individual will discuss product specifications and potential new products. The district director has very little contact with the distributor and can focus attention and time on other responsibilities. The director and district avoid the time consuming task of preparing a solicitation document and managing the contract on a daily basis.</p>

Disadvantages and Considerations Worksheet Sample Answer Key

Instructions: Identify the considerations for each disadvantage listed in the column. Write your responses in the appropriate column.

Disadvantages	Considerations
Consensus Among Members	It is critical for members to come to a consensus on products. Some cooperative purchasing groups allow members to place similar products on the solicitation when members cannot agree on a particular item. This can be problematic and less attractive to the vendor. Members generally receive better prices by purchasing higher volume and less variety of products. To receive the best possible price, the best practice is for members to agree on similar products.
Deliveries	There is the possibility of larger and less frequent deliveries. The number of deliveries and different location drops are major negotiating factors between the cooperative purchasing group and the distributor. In order to economize, some cooperative purchasing groups decide to have larger quantities of food delivered and have them delivered less frequently. The fewer the deliveries, the more cost-effective this will be for the distributor. Accommodations outside the agreed upon delivery schedule may impose penalties on a district.
Minimum Cases	In some cases the cooperative purchasing group establishes a minimum number of cases for a product to be included in the solicitation. Often a district will exclude lower volume or seasonal items in the solicitation projections and the cooperative will guarantee a specific percentage of food expenditures the members will purchase from the prime distributor.
Elimination of Distributors	Another disadvantage of a cooperative purchasing group may be the elimination of the smaller and more familiar distributors. The smaller distributors may not have the ability to provide large product volume, handle a greater distribution area, or abide by all the contract terms. Some relationships with small distributors may be lost when a district joins a cooperative purchasing group.

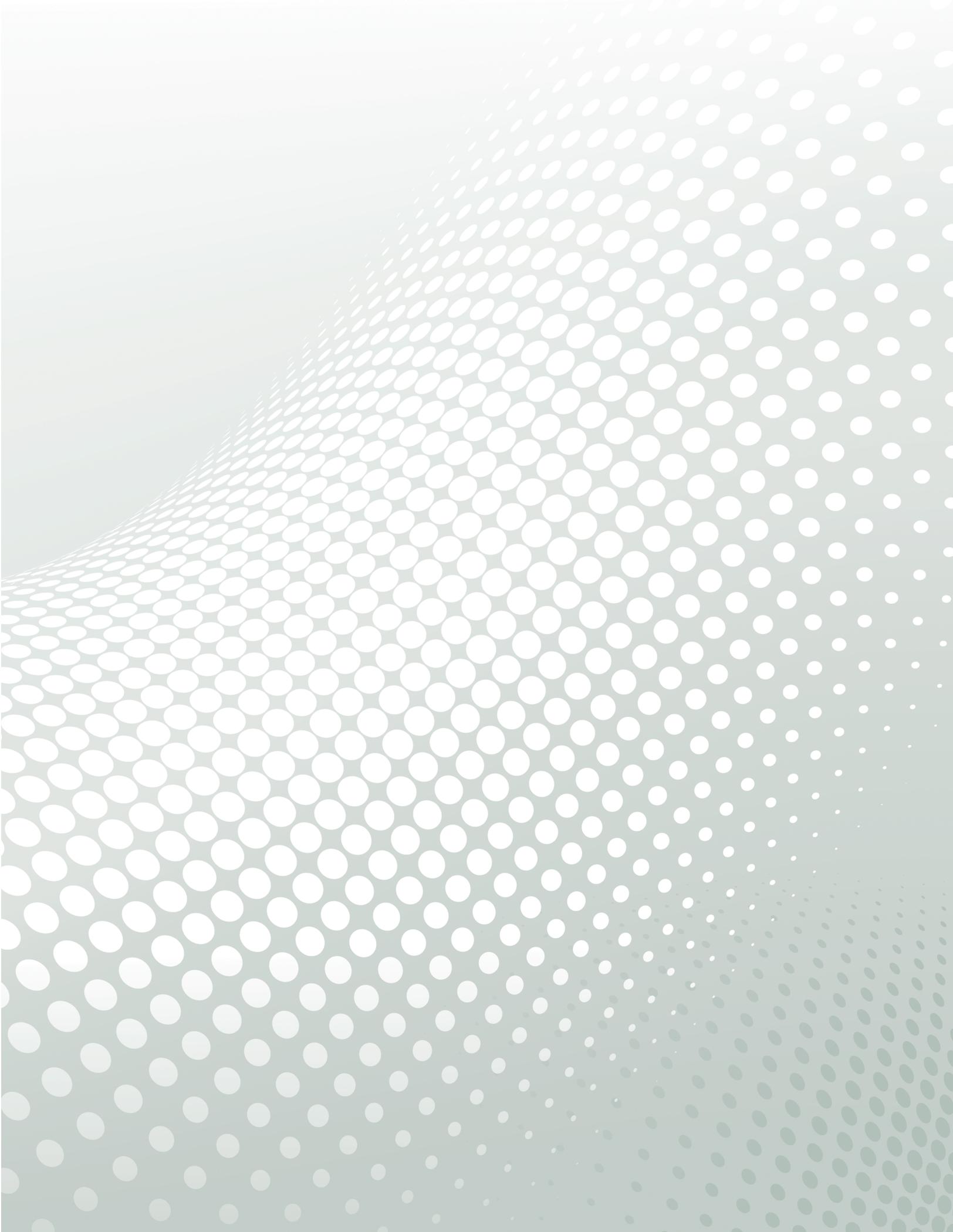
Disadvantages and Considerations Worksheet Sample Answer Key

Disadvantages	Considerations
Increased Food Cost	Members of cooperative purchasing groups may experience an increase in food costs due to the higher quality of products purchased compared to the products they purchased prior to becoming a member. Agreeing on product specifications is one of the biggest challenges. In this case, the solution is either to compromise with a suitable substitute, eliminate the product from the menu, or purchase the item independently. Bringing in small districts could cause costs to increase for larger districts if there is not some provision for them to receive credit due to their volume.
Storage	In some cases a district's dry and cold storage space is unable to accommodate an increase in delivery volume due to less frequent deliveries, forcing them to purchase additional storage equipment or rent additional storage space. The cooperative purchasing group establishes the minimum quantity of products for each delivery so each district should compare the savings gained from participating in the group to the cost of purchasing the new equipment or paying rental fees.
Administrative Costs	<p>There may be administrative costs in operating and belonging to a cooperative purchasing group. Usually membership fees are required for the sustainability of the group. These fees can range from a flat fee based on district enrollment, to a per student fee, to a fee per case of the product. Fees, offset by the potential savings of increased purchasing power, should be calculated and compared to the cost incurred by the district to conduct procurements on their own.</p> <p>Once the advantages and disadvantages of cooperative purchasing have been recognized by SFAs, an informed decision can be made on whether joining would be beneficial to the district.</p>

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