

Food Service Facts

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13. Business Ethics & Procurement

Business Ethics Overview

“Ethics” is defined as “the principles of conduct governing an individual or a group.” The human condition has historically inspired philosophers to attempt to establish a set of rules and practices to direct behavior. While there is still debate about what is “ethical” or “unethical,” this section will discuss regulatory definitions of acceptable and unacceptable business practices.

Fraud Statement from Federal Regulations

Whoever embezzles, willfully misapplies, steals, or obtains by fraud any funds, assets, or property provided under the National School Lunch Program and/or School Breakfast Program, whether received directly or indirectly, shall, if such funds, assets or property are of a value of \$100 or more, be fined no more than \$10,000 or imprisoned not more than 5 years or both; or if such funds, assets, or property are of a value of less than \$100, be fined not more than \$1,000 or imprisoned not more than one year or both. Whoever receives, conceals, or retains for personal use or gain, funds, assets, or property provided under the National School Lunch Program and School Breakfast Program, whether received directly or indirectly, knowing such funds, assets, or property have been embezzled, willfully misapplied, stolen, or obtained by fraud, shall be subject to the same penalties.

Procurement Ethics

The competitive nature of public procurement and the expenditure of significant amounts of public funds requires that ethical standards be incorporated into all procurement functions. Procurement personnel and the sponsor’s staff face the difficult task of developing good vendor relations and encouraging vendor competition while avoiding even the appearance of favoritism or other misconduct. Numerous problems may be encountered such as:

- ◆ Employees, in an effort to get the job done successfully and on time, are tempted to avoid policies, procedures, and laws or to make their own “legal” interpretations of existing policies. Such activity, although generally well-intentioned, may cause ethical or legal problems.
- ◆ When informal purchasing procedures are used to make repeated purchases of the same items or types of items over the course of 12 months, it may appear that requirements to use formal purchasing procedures are being circumvented. This situation may occur due to lack of centralized control of the purchasing function. Although some sequential purchasing may occur using informal purchasing procedures, it is important to assure that formal purchase procedures are used when required.

- ◆ Component purchasing usually is an attempt to avoid bid laws or other requirements by buying an item through the issuance of multiple purchase orders for the component parts of the items versus a single purchase order for the entire item. Repeated purchases of additional optional equipment or parts after an initial purchase may create the perception of component purchasing.

The sponsor should clearly communicate to all personnel policies related to:

- ◆ Dealing with conflicts of interest
- ◆ Having financial interests in firms conducting business with the sponsor
- ◆ Accepting kickbacks and gratuities
- ◆ Improper use of a position or confidential information

Additionally, the sponsor's employees should be made aware of the penalties for violation of purchasing laws and ethics that may include criminal prosecution and loss of employment opportunities.

General Ethical Standards

The following section provides a brief summary of common ethical standards that should govern the conduct of employees involved in the purchasing function.

Personal Gain

It is unethical for any employee of a sponsor to attempt to realize personal gain through performance of his/her duties.

Influencing Public Employees

It is unethical for any employee of a sponsor to attempt to influence any public employee to breach the standards of ethical conduct.

Employee and/or Family Member

It is unethical for any employee of a sponsor to participate directly or indirectly in purchasing when the employee knows, or has reason to believe, that:

- ◆ The employee or any member of the employee's immediate family has a financial interest pertaining to the purchase;
- ◆ A business or organization in which the employee or any member of the employee's immediate family has a financial interest pertaining to the purchase; or
- ◆ Any other person, business, or organization with whom the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is involved in the purchase. If an employee of the sponsor has a financial interest in a purchase, that person shall abstain from discussion and decisions regarding the award of the purchase contract.

Gratuities

It is unethical (and in some cases illegal) for a sponsor's employee or former employee to solicit, demand, accept or agree to accept a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, or preparation of any part of a program requirement or purchase request, including influencing the content of any specification or purchase standard.

Kickbacks

It is unethical for a contractor (or any person on behalf of a contractor) to make any payment, gratuity, or offer of employment as an inducement for the award of a contract.

Contract Clause

The ban against gratuities and kickbacks should be clearly stated in every contract and solicitation.

Confidential Information

It is unethical for any employee or former employee of a sponsor to knowingly use confidential information for actual or anticipated personal gain or for the actual or anticipated gain of any person.

Vendor Gifts and Relations

A sponsor's officials and employees cannot accept anything of value from a vendor, such as personal gifts or gratuities, which may be considered to have been given to influence the purchasing process. Although such practices may be legitimate and generally accepted in the private sector, giving and receiving gifts in the public sector may constitute a violation of the law.

It is a good practice for a sponsor to consult with its attorney or the Attorney General's Office to develop policies regulating the acceptance of vendor gifts. These policies should not only conform to applicable statutes but should also reflect the sponsor's philosophy regarding regulation of the acceptance of the following from existing or prospective vendors:

- ◆ Trips (including transportation and hotel rooms)
- ◆ Meals
- ◆ Tickets for entertainment, and/or
- ◆ Gifts of any value

Sponsors should also be aware of the disclosure requirements regarding federal conflict of interest regulations that prohibit an employee (and members of the employee's immediate family) who is involved in administering, directing, or authorizing federally-funded transactions from having a financial interest in a vendor associated with federally-funded transactions.

Incentives

Vendors often will make a special offer on a particular item. They might, for example, offer equipment or other prizes, food products such as charbroiled beef patties at a much lower price than the sponsor's bid price; or offer an item not presently used at a special price that is below market value.

When a vendor offers incentives

The prices paid for all purchases should be based solely on the bid offered by the responsible vendor giving a sponsor the best bid prices on items meeting specifications. When "incentives," such as prizes, equipment, etc., are offered and accepted:

- ◆ The "incentive" must in no way affect the decision to purchase;
AND
- ◆ The "incentive" must become the property of the sponsor and under no condition become the property of an individual. Special offers often mean higher prices or lower quality or both. Frequently, special prices are offered on old merchandise that the vendor wants to liquidate.

A sponsor may take advantage of "specials" under the following conditions:

When a Vendor Offers an Item at a Lower Price than the Bid Price

Once an item has been bid and the bid price accepted, the purchaser is not free to obtain additional bids or to purchase from anyone other than the vendor who has received the bid, unless:

- ◆ The bid specified a quantity to be purchased;
- ◆ The specified quantity will be purchased from the winning bidder; and
- ◆ The amount to be purchased is in addition to the quantity bid.

Procedures for Informal or Micro purchases may be used in obtaining prices on the additional merchandise, unless the additional purchases will exceed \$250,000 for food or \$20,000 for non-food items.

When a Vendor Offers an Item Not Presently Used at a Special Price Below Market Value

All purchases under competitive bidding must be based on specifications that clearly describe the item to be purchased. If you have tried a new food product and would like to purchase it, competitive sealed bids must be obtained if purchases will be \$250,000 or more.

Employees Purchasing Foods

Q *May school employees purchase meals or leftover food to take home?*

A No. Even if the money was deposited in the Food Service Fund, program regulations state that any food prepared for the Child Nutrition Programs must be consumed on school premises.



Standards of Conduct

A written Standards of Conduct for all employees involved in the award and administration of contracts must be implemented by the sponsor. The standards of conduct must include policies concerning conflicts of interest and procedures for accepting gratuities, favors or any items with a monetary value.

A standards of conduct must include (2 CFR 200.318):

- ◆ No employee of the sponsor shall participate in the selection, award or administration of a contract when any of the following persons have a financial interest in the firm selected for the award:
 - The employee
 - Any member of his/her immediate family
 - His/her partner
 - An organization which employs, or is about to employ, any of the above

- ◆ School employees will neither solicit nor accept gratuities, favors or any item with monetary value from vendors, potential vendors, or parties to sub-agreements including:
 - Entertainment
 - Hotel rooms
 - Transportation
 - Gifts
 - Meals

- ◆ The standards of conduct must provide for disciplinary actions to be applied for violations of such standards.

Employees should be given guidance about how to respond when a gratuity, favor, or item with monetary value is offered. When there is doubt concerning the appropriateness of accepting gifts, favors, etc. the employee should consider the following questions:

1. **How would the public perceive this action of receiving the gift, favor, etc.?**

2. **Will acceptance of the gift, favor, etc. possibly influence a future purchasing decision?**

Food Taken from Schools

The National School Lunch and Breakfast Programs are designed and funded to serve children in school cafeterias. No food, not even leftover food, is to be taken from the premises. Taking food from the cafeteria may create a serious public relations problem by causing people to lose faith in the integrity of the program(s). Food may only be taken from the school for school-sponsored field trips. For additional information on field trips refer to Chapter 4, Meal Service Policies, School Prepared Sack Lunches.

The above does not prohibit paid, reduced price, or free eligible students or adults from taking all or portions of their own breakfasts, lunches, or a la carte foods from the cafeteria or off campus if approved by the local school. Exceptions to this policy must be approved in school board meeting minutes or board policy.

Leftover foods that cannot be used within the school food service operation and are safe and nutritious may be donated to eligible local food banks or charitable organizations. For more information, go to [USDA Policy Memo SP11-2012 Guidance on Food Donation Program in Child Nutrition Programs](#).

Relative Works for Vendor

Q-1 *The spouse of the food service director of a sponsor operating a CNP has recently accepted a position as an officer in a wholesale food distributing company. Should the company be disqualified as a bidder for future contracts with the sponsor?*

A Not necessarily, but the sponsor needs to be doubly careful to document its entire food purchasing process. Vendor selection criteria should be as objective as possible, and the final selection should involve officials other than the food service director.



Buying Items for Personal Use from Vendors

Q-2 *In my school system, it has been the practice for principals, teachers, and school food service staff to buy items from vendors at the bid price. Is this acceptable?*

A No. Federal regulations require a code of conduct which states that “the sponsor’s officers, employees, or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to sub-agreements.” When a person purchases at the sponsor’s bid price or any discounted price, that person is actually accepting from the vendor the cash difference between the bid or discount price and what one would have to pay for the item in the retail market. Even if the vendor were to charge the retail price, the person would still be receiving the convenience of a personal delivery and therefore would be accepting a favor from the vendor.



Gifts from Vendors

Q *Several food companies like to give my office staff and managers Christmas gifts each year. Is there anything wrong with this procedure?*

A This practice should be discontinued immediately as it is in conflict with federal purchasing regulations dealing with a code of conduct. Remember that neither you nor any of your employees should accept gratuities, favors, or anything of monetary value from companies with which you currently, or could potentially, do business.



Procurement Overview

Procurement procedures used in Child Nutrition Programs (CNP) must conform to state, federal and local regulations and procedures. Sponsors should be advised to use their own procurement procedures as approved by the sponsor's governing board provided that the purchases for the CNP conform to the federal and state procurement regulations described in this chapter. It may be advantageous for a sponsor to have one individual assume oversight responsibility for all purchasing.

The federal and state procurement regulations are designed to help the sponsor:

- ◆ Obtain the best products and services
- ◆ Save money
- ◆ Make the best use of federal, state and local funds
- ◆ Provide open and free competition
- ◆ Ensure fair and ethical practices

All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards found in 2 CFR 200. Sponsors must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price (2 CFR 200.318(h)(ii)).

For definitions of procurement terms, refer to the "Procurement Definitions" section at the end of this chapter.

Procurement Procedures

All Sponsors must establish written procurement procedures (see sample Procurement Plan and Written Standards of Conduct in Guidance and Resources section). Written procedures must include a code of ethics and address conflict of interest. Sponsors must use their own documented procurement procedures which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards in 2 CFR 200.318- 326 and 7 CFR 3016.36 and 7 CFR 23019.40-48.

To determine the type of procurement procedure to use, the sponsor must evaluate the dollar value of the contract. The dollar amounts apply to all purchases from one source for one agreement/contract period.

- ◆ Formal purchasing (also called competitive sealed bids or procurement by competitive proposals) must be used for non-food items and services valued at \$20,000 or more. **Formal** purchasing must be used for food items valued at \$250,000 or more. Informal purchasing procedures (also called "small" purchase procedures) may be used for all purchases under the formal purchase threshold. Micro purchasing may be used for purchases with the aggregate dollar amount not exceeding \$10,000 and the extent practicable, the Sponsor must distribute micro-purchases equitably among qualified suppliers.

Micro Purchase Procedures

Procurement by micro-purchases is the acquisition of goods, supplies or services, the aggregate dollar amount of which does not exceed \$10,000. To the extent practicable, the Sponsor must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the Sponsor considers the price to be reasonable.

Informal (or Small) Purchase Procedures

Informal purchase procedures are relatively simple methods used for purchasing food, supplies, equipment or services that do not cost more than the Simplified Acquisition Threshold- in Kansas \$250,000 for food and \$20,000 for non-food items such as equipment and supplies. Sponsors are required to compare prices or complete a cost analysis for every good or service purchased. This analysis can only take place when costs or prices are based on the same set of specifications and conditions. Price or rate quotations for the specified items may be obtained verbally, via phone or in person or in writing via written quote, fax or mail. Price quotations must come from an adequate number of qualified sources. The number of price quotations that must be obtained is determined by local market conditions.

Regardless of dollar value, there must be open and free competition between vendors. In rural areas where there may be only two produce vendors that provide service, obtaining price quotations from both vendors may be sufficient. In a larger metropolitan area where there are more produce vendors, all known vendors should be given an opportunity to submit price quotations. All price quotations must be documented.

Steps for Using Informal (Small) Purchasing Procedures

When it is determined that informal (small) purchasing procedures are to be used, the following requirements should be met:

1. Notify prospective vendors of the intent to purchase the foods, supplies or equipment.
2. Provide vendors product specifications, the period of time the bid price must be honored (week, month, semester, etc.), general purchasing conditions and any other information needed for the bidder to properly respond.
3. Obtain price quotations. The price quotes may be obtained in person, by telephone or in writing using a price quote worksheet or catalog price information. Price quotes may be mailed, e-mailed or faxed.
4. Document the prices quoted.
5. Award the bid to the vendor with the lowest price for the quality specified. If the lowest price is not awarded, document reasons for selecting a higher price. Any and all bids may be rejected if there are sound documented reasons.

The Price Quotation Worksheet (Form 13-C) can be used to document price quotes.

Formal Purchase Procedures

For food purchases of \$250,000 or more per contract or for non-food items and supplies of \$20,000 or more, formal purchase procedures must be used. Formal purchasing methods are 1) Procurement by Sealed Bids; 2) Procurement by Competitive Proposals or Procurement by Noncompetitive Proposals. Purchases made by purchasing co-ops normally require formal purchasing procedures because they exceed the simplified acquisition threshold of \$250,000 for food or \$20,000 for non-food items. 2 CFR 200.323 requires a cost analysis for procurement in excess of the simplified acquisition threshold before beginning the formal purchase procedures. Independent estimates must be received prior to receiving bids/proposals.

Procurement by Sealed Bids

Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. In order for sealed bidding to be feasible, the following conditions should be present:

- ◆ A complete, adequate and realistic specification or purchase description is available;
- ◆ Two or more responsible bidders are willing and able to compete effectively for the business; and
- ◆ The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

Steps for Procurement by Sealed Bids:

The following requirements must be met:

1. The invitation for bids must be publicly advertised.
2. Bids shall be solicited from an adequate number of known suppliers, providing them sufficient time prior to the date set for opening the bids.
3. The invitation for bid shall include product specifications, general purchasing conditions, and any pertinent attachments in order for the bidder to properly respond.
4. All bids must be opened publicly, by at least two of the sponsor's employees, at the time and place stated in the invitation for bids.
5. Any bids that are submitted beyond the due date should be returned unopened for noncompliance with the bid specifications.
6. A firm fixed-price contract award must be made by written notice to the responsible bidder whose bid is lowest, assuming the bid conforms to the requirements in the invitation for bid. If the award is to be made on a basis other than the lowest price per item, the method of award must be clearly described in the general conditions.
7. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs shall be considered in determining which bid is lowest.
8. Payment discounts may only be used to determine the low bid when prior experience indicates that such discounts are generally taken.
9. Any and all bids may be rejected if there are sound documented reasons.

The [Sample Bid Worksheet](#) (Form 13-B) illustrates a format that could be used for collecting bids on specific items.

Procurement by Competitive Proposals

The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost reimbursement type contract is awarded. If a cost reimbursable contract is awarded, all invoices must be net of discounts, rebates and credits (2 CFR 200 and 7 CFR 210). It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

- ◆ Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;
- ◆ Proposals must be solicited from an adequate number of qualified sources;
- ◆ There must be a written method for conducting technical evaluations of the proposals received and for selecting recipients;
- ◆ Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program with price and other factors considered.

Procurement by Noncompetitive Proposals

Procurement by noncompetitive proposals is procurement through a solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- ◆ 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;
- ◆ After solicitation of a number of sources, competition is determined inadequate.

Formal Sealed Bids

Q-1 *Will it be more expensive to purchase food and supplies under competitive sealed bidding, especially if additional staff must be hired?*

A Any full or part-time staff hired to perform the purchasing function should be expected to save more dollars annually than their salary costs. Experience has shown that wise purchasing practices will pay for themselves. If this does not happen, the situation should be reviewed, perhaps with KSDE's assistance.

Additionally, current personnel resources should be evaluated to see if they can be used. Some sponsors are already using competitive sealed bids to purchase items like gasoline, tires, etc. The same staff can sometimes be used for the food service operation if they are provided with food specifications, delivery schedules and technical assistance.



Q-2 *Does the \$250,000 sealed bid threshold apply to the entire organization or to each school/site?*

A It applies to the organization performing the purchasing function. If purchasing is centralized, the \$250,000 threshold would apply on an organization-wide basis. If purchasing is delegated to each site, then the \$250,000 threshold would be applicable on a site basis.

Procurement Regulations and Requirements

Anti-Competitive Practices

The procurement procedures used by sponsors must **NOT** restrict or eliminate competition. The sponsor should be alert to organizational conflicts of interest or noncompetitive practices among contractors that may restrict or eliminate competition or restrain trade. Anti-competitive practices include the following:

- ◆ Any person or business that develops or drafts specifications, statements of work, invitations for bids, requests for proposals, contract terms and conditions, or other documents for use by the bidder may **NOT** compete for that contract. This requirement ensures objective contractor performance and eliminates an unfair competitive advantage.
- ◆ Prospective vendors **MAY** provide sponsors with specification information related to the purchase of an item and still compete for that item if the sponsor, and not the prospective vendor, develops or drafts the specifications, requirements, statements of work, invitations for bid, and/or requests for proposals.
- ◆ Sponsors are prohibited from purchasing goods or services from a vendor based solely on the geographic location of the vendor. Open and free competition must always prevail. The sponsor must use competitive purchasing practices and make the selection of the product based on price and quality. Sponsors may purchase from a vendor located in a specific geographic area **IF** the purchase decision is based on the price and quality of the goods or services.
- ◆ Sponsors may use geographic preference when purchasing unprocessed or minimally processed locally grown and locally raised agricultural products.
- ◆ Other situations that are considered to restrict competition by a sponsor include:
 - Placing unreasonable requirements on firms in order for them to not qualify to do business
 - Requiring unnecessary experience
 - Choosing to purchase food from the local grocer in an effort to support the local economy
 - Purchasing all food from a single supplier, unless proper purchasing procedures were followed, even though other suppliers are available
 - Distributing different specifications to different suppliers
 - Specifying only a “brand name” product instead of allowing “an equal” product

Any or all bids may be rejected when there are sound reasons that are in the best interest of the sponsor. Those reasons must be documented.

Specifying Brand Names

Q *Can brand names be used in our specification?*

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

Another approach would be to document through taste testing that one particular brand is so clearly preferable to others that the purchasing specifications can simply call for that brand. The documentation should spell out how the test was conducted, what other brands were tested, and how the test results influenced the final choice. Also, such tests should be repeated periodically.



Purchasing Locally

Q *If the school board's policy is to purchase locally, may I purchase my food from the local grocery store?*

A No. Sponsors are prohibited from purchasing goods or services from a vendor based solely on the geographic location to the Sponsor. If the local grocer is a responsible contractor and would like to be considered a vendor, open and free competition allows him/her to submit a bid. Geographic preference may be given when purchasing unprocessed locally grown or locally raised agricultural products.



Vendor Writing Specifications

Q *If I want to purchase a new steamer, may the equipment vendor write the specification?*

A No. The equipment vendor may not write the specification if he/she will be submitting a bid for the equipment. The vendor may, however provide you with information, such as a catalog, that can be used to help you write the specification.



Buy American Provision

Section 104(d) of the William F. Goodling Child Nutrition Reauthorization Act of 1998 (Public Law 105-336) added a provision, Section 12(n) to the National School Lunch Act (42 USC 1760(n)), requiring school food authorities to purchase, to the maximum extent practicable, domestic commodities or products. This Buy American provision supports the mission of the Child Nutrition Programs, which is to serve children nutritious meals and support American agriculture.

A “domestic commodity or product” is defined as an agricultural commodity that is produced in the U.S. and a food product that is processed in the U.S. substantially using agricultural commodities produced in the U.S. In this context, “substantially” means that over 51 percent of the final processed product (by weight or volume) must consist of agricultural commodities that were grown domestically. This provision is to be included in bid specifications and applies to all money expended from the sponsor’s Food Service Fund.

Limited Exceptions to the Buy American Provision

There are limited exceptions to the Buy American provision which allow for the purchase of foods not meeting the “domestic” standard as described above in circumstances when use of domestic foods is truly not practicable. These exceptions, as determined by the Sponsor, are:

- ◆ The product is not produced or manufactured in the U.S. in sufficient and reasonable available quantities of a satisfactory quality, or
- ◆ Competitive bids reveal the cost of a U.S. product are significantly higher than the non-domestic product.

Before utilizing an exception, alternatives to purchasing non-domestic food products should be considered. For example, Sponsors should ask:

- ◆ Are there other domestic sources for this product?
- ◆ Is there a domestic product that could be easily substituted, if the non-domestic product is less expensive (e.g. substitute domestic pears for non-domestic apples)?
- ◆ Am I soliciting bids for this product at the best time of the year? If I contracted earlier or later in the season, would prices and/or availability change?
- ◆ Am I using a third-party verification, such as through the USDA Agricultural Marketing Service, to determine the cost and availability of domestic and nondomestic foods?

If a Sponsor is using one of the above exceptions, there is no requirement to request a waiver from the State Agency or USDA to purchase a non-domestic product. However, the Sponsor must keep documentation justifying their use of the exception(s).

Note: Spices and equipment do not have to meet Buy American requirements.

Compliance with, and Monitoring of, the Buy American Provision by Sponsors

To ensure compliance with the Buy American provision the Sponsor must ensure solicitation and contract language includes the requirement for domestic agricultural commodities and products. The Sponsor must also include the Buy American requirement in its documented procurement procedures and retain records documenting

any exceptions. Sponsors should ask the supplier, manufacturer and/or distributor for specific information about the percentage of U.S. content, they should include in their procurement process a requirement for certifying the domestic percentage of the agricultural food component of commodities and products. Sponsors must monitor contractor compliance as required by 2 CFR 200.318(b), in order to ensure that contractors perform in accordance with the terms, condition, and specifications of their contracts or purchase orders. Monitoring is also accomplished by reviewing products and delivery invoices or receipts to ensure the domestic food that was solicited and awarded is the food that is received. Sponsors also need to conduct a periodic review of storage facilities, freezers, refrigerators, dry storage and warehouses to ensure the products received are the ones solicited, and awarded, and comply with the Buy American provision.

For frequently asked questions and answers, see [USDA Policy Memo SP 38-2017 Compliance with and Enforcement of the Buy American Provision in the National School Lunch Program](#).

Contracting with Small and Minority Firms, Women’s Business Enterprises and Labor Surplus Area Firms

Small and minority firms, women’s business enterprises, and area labor surplus firms must be considered when they are potential sources for purchased items. When economically feasible, total requirements must be divided into small quantities and delivery requirements or schedules established to allow maximum participation by these firms.

Debarment and Suspension

Debarment and suspension actions result in the exclusion of companies or individuals from participating in certain transactions involving federal programs at both the state and local levels. These actions are not imposed as punishment but rather are initiated in the public interest and to protect the federal government.

This prohibition does not extend to contracts in existence at the time of the debarment/suspension or to most contracts under \$100,000. It applies to new contracts and extension or renewal of existing contracts of \$100,000 or more and to contracts for audit services regardless of the amount. Before a bid may be accepted, the sponsor must check the Excluded Parties List (EPL) at <https://sam.gov> to verify the vendor or auditing service has not been debarred or the vendor or auditing service must complete the Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion-- Lower Tier Covered Transactions available at <https://www.usda.gov/sites/default/files/documents/ad-1047.pdf>.

Exclusive Beverage and Snack Contracts

If any product for use in the Child Nutrition Programs (CNP) is purchased via an exclusive contract, then all federal purchasing regulations must be met. For contracts greater than \$250,000, formal purchasing procedures must be followed. If exclusive beverage and/or snack contracts do **NOT** involve nonprofit school food service funds, federal CNP purchasing regulations do not apply.

If products for use in the school food service program are included in an exclusive contract, any rebates, commissions, scholarship fund contributions, or any other payments back to the sponsor or sponsor-related organizations, must be reimbursed to the Food Service Fund on a prorated basis. KSDE recommends excluding the Child Nutrition Program from any contract between the sponsor and a vendor for exclusive sales rights.

Cost Plus Contracts Not Allowed

Cost-plus-a-percentage-of-costs contracts are **NOT** permitted. In this type of contract, the sponsor agrees to purchase the products for actual cost plus a percentage of that cost as a fee for service. The percentage fee is fixed for the duration of the contract. However, if the actual cost of the product rises, so does the fee.

Cost-reimbursement-plus-fixed-fee contracts are permitted. In cost-reimbursement-plus-fixed-fee contracts, the sponsor agrees to reimburse the distributor for the actual product cost plus a fixed dollar fee for services. The fee, which is fixed for the duration of the contract, is usually based on a unit price and may vary from item to item.

Firm Fixed-Price Contracts

In firm-fixed-price contracts the cost of the product remains constant during the contract period. There exists a direct relationship between the length of the time a distributor must hold the price firm and the cost the sponsor pays for the product. The longer the bid period, the greater the distributor's risk, therefore, the higher the price. Line item and bottom line purchasing are methods of purchasing used in firm fixed-price contracts.

Other Procurement Guidelines

Preparing Specifications

In order to assure that true competition occurs, identical specifications and invitations for bids (IFB) or requests for proposals (RFP) must be furnished to the potential vendors. The vendor must be provided the product specification and be informed of other requirements, such as delivery schedules, quantities, purchase conditions, etc. When the product or services are identical, the bids can be compared and the lowest price determined.

Line Item Purchasing

Line item purchasing is used when a sponsor agrees to purchase a specific item at a fixed price from a contractor for the length of the contract. The price offered on each item is considered independently. The contract is awarded to the bidder with the lowest bid price for each item.

Bottom Line Purchasing

Bottom line purchasing is used when a sponsor agrees to purchase food and/or supplies in a group at a fixed price from a specified distributor for the length of the contract. The contract is awarded on the basis of a lowest bottom line price per category, which is determined by multiplying unit bid price times anticipated units to purchase. Bottom line

awards require a price quote on all items. Reasonable accurate product quantities must be projected.

Bottom line purchasing should be used for milk and dairy products or for bread items. See the Sample Invitation for Bid for Milk and Dairy Products (Form 13-D) and Sample Milk Bid (Form 13-E).

Contracts with Escalation Clauses

Contracts with escalation clauses are used by sponsors, generally for long-term contracts such as milk, ice cream, and bread. An escalation clause provides for an up or down adjustment of the contract price if specified circumstances occur. For example, the cost of milk might fluctuate in direct relationship to a price index outside of the vendor's control (such as, the state wholesale milk index). The contract should specify a maximum price and other conditions at which the sponsor would be allowed to terminate the contract.

Documentation Requirements

Sponsors must maintain records to detail the significant aspects of their purchases. Be aware that all purchasing documents are public information. These records include, but are not limited to the following:

1. **Reasons for selecting the method of purchasing used in specific purchases or types of purchases**

This requirement need not be as burdensome as it may first seem. A one-time adoption of a purchasing plan or policy by a sponsor may fulfill this requirement. The policy could define the sponsor's plan for using the various purchasing methods for the different items to be purchased. For example, the sponsor may specify in its plan the reason for purchasing milk and bread using competitive sealed bids, fresh produce on a weekly bottom line informal purchasing basis, canned goods and frozen goods on a line item informal purchasing basis, etc.

2. **Considerations for vendor selection or rejection**

Along with the sponsor's price analyses, other comparisons or evaluations of the potential vendors or bidders are in order. Awards must be made only to vendors that possess the ability to perform successfully under the terms and conditions of a proposed purchase. Consideration must be given to:

- ◆ Financial and technical resources
- ◆ Vendor integrity
- ◆ Records of past performance (including documentation of past failures that have been brought to the attention of the vendor and have not been corrected)
- ◆ Compliance with public policy (as in the case of Equal Employment Opportunity compliance or compliance with pertinent Environmental Protection Agency regulations)

A sponsor must document its reason for selecting or rejecting a vendor. If the lowest offered bid is accepted, this can be documented in a simple sentence. If the lowest bid price is not the determining factor, documentation must be maintained showing why one vendor was selected over another. Any or all bids may be rejected when there are sound business reasons in the best interest of the program. It is important to document specific reasons for rejecting a bid.

Procurement Documentation

Q *What kind of documentation should I keep on the procurement process, and how long must the documentation be maintained?*

A All Sponsors should:

- ◆ Have a written code or standards of conduct on file.
- ◆ Maintain a list of any vendors who request to be sent Invitations to Bid.
- ◆ For each formal bid, maintain the following documentation on file for at least five years after the end of the federal fiscal year to which it pertains:
 - Copy of Invitation to Bid, including instructions to vendors and specifications
 - Copy of public advertisement(s)
 - Dated mailing list (list of vendors who were mailed a copy of the bid)
 - Bids submitted by vendors (attach bid envelope and a copy of the receipt if hand-delivered)
 - Bid evaluation sheet (include documentation whenever the lowest price is not accepted)
 - Copies of bid award letters and letters to unsuccessful bidders
 - Copies of contracts
- ◆ For telephone quotations, record prices quoted on a bid evaluation sheet and document items awarded. Maintain these records on file.



Procurement Plan

All sponsors administering Child Nutrition Programs must develop and follow a procurement plan. 2 CFR 200.318 states that the Sponsor must use its own documented procurement procedures which conform to State and local regulations and which conform to applicable Federal law in 2 CFR Part 200. A procurement plan or policy can be valuable for two reasons. It can serve to clarify the purchasing practices of an organization for the benefit of everyone involved. Secondly, it can guide employees to use the appropriate method of purchasing for each category of items. KSDE provides a prototype Procurement Plan.

The procurement plan provides justification for using a certain purchasing method to obtain an item. The scope of the plan is determined by the organization of the sponsor. If purchasing is centralized, the plan applies to the entire organization. If purchasing is decentralized, the plan may apply to all sites responsible for purchasing or each site may be permitted to develop its own plan. A new procurement plan does not need to be developed every year. However, an annual review of the approved plan is suggested to assure its relevance to current procedures. Some examples of how the plan could be used to justify the method of purchasing chosen follow:

◆ **Example #1:**

All items, except milk, used in the _____ School Food Service Program will be purchased using informal purchase procedures. Except for milk, no purchase or group of purchases being secured during a purchase period will cost \$250,000 or more in total. Small purchase procedures will include obtaining at least two price quotations on items being purchased. To assure a fair comparison of prices, descriptions or specifications and bid forms for commonly used items (such as canned goods, frozen foods, and cleaning supplies) will be furnished to all four potential area vendors along with other firms requesting this material.

◆ **Example #2:**

Milk will be purchased by competitive sealed bid on an annual basis. An escalation clause that is directly tied to the state wholesale price is allowable.

◆ **Example #3:**

All canned goods are purchased using informal purchasing procedures, since the total amount from this purchase group will be less than \$250,000 per purchase period. Quotes will be obtained from three vendors by mailing specifications to them eight weeks prior to the start of the fall and spring semesters. The vendor having the lowest bottom line cost will be the successful bidder.

Cooperative Purchasing

Cooperative purchasing is when two or more sponsors of Child Nutrition Programs join together to establish an organization with administrative responsibility for purchasing food and/or non-food supplies for its members. The cooperative's main objective is to use volume purchasing to reduce acquisition and administrative costs.

Cooperative purchasing also enables smaller sponsors to gain access to a larger selection of food and non-food items and frequently to higher quality items. It allows for standardization of procedures and specifications. The more uniform these features are, the easier it is for vendors to work with sponsors. An added benefit of cooperative purchasing is that participation in the process gives food service managers and directors an arena for information exchange.

The cooperative enters into an agreement with each sponsor annually. The agreement describes the responsibilities of each entity. The cooperative is responsible for distributing the agreement to its member sponsors and each sponsor is to keep a copy of the completed agreement on file for review or audit.

Although participating in intergovernmental and inter-agency agreements can offer greater economy and efficiency for procurement or use of common or shared goods or services (2 CFR 200.318(e)), Program operators participating in these agreements must still conduct competitive procurement in accordance with 2 CFR Part 200.318-.326 and applicable program regulations and guidance. Specifically, Program operators must ensure all:

- ◆ Costs paid from the nonprofit food service account are necessary, reasonable, allocable, and otherwise allowable per 2 CFR 200.403 and the applicable cost principles in 2 CFR 200, subpart E.
- ◆ Procurements are conducted in a manner maximizing full and open competition consistent with Federal procurement standards in 2 CFR 200.318-.326 and in applicable Program regulations.

Failure to competitively procure goods and services is a violation of Federal regulations and may result in delays, disputes, findings of noncompliance, and costs being disallowed.

Q What types of agreements has USDA identified to facilitate procurement by Program operators and how are they defined?

A The various purchasing agreements that have been identified to facilitate procurement by Program operators are classified into three groups:

1. **Child Nutrition Program (CNP) Program operator-only and/or CNP State agency cooperative** agreement. This is an agreement formed solely between CNP Program operators and may include CNP State agency cooperatives formed to increase purchasing power. This agreement is not a method of procurement, rather an agreement to competitively procure goods and services. Such agreements may include a fixed fee to cover overhead or administrative costs as specified in the cooperative agreement.
 2. An **agent** is a person or business authorized to act on a client's behalf. An agency may be necessary for procuring goods or services when/if the client does not have the necessary technical understanding of the equipment, service, food or other food service supplies to be purchased; or lacks time or expertise to conduct a proper procurement. A procurement agent represents a special fiduciary relationship of trust between itself and its client. In other words, the agent must be contractually required to conduct all competitive procurement methods with its client's interests solely in mind. An agent's services in excess of the micro-purchase threshold currently set at \$10,000 must be competitively procured in accordance with Federal procurement methods outlined in 2 CFR 200.320.
 3. **Third-Party entities** include State procurement agency agreements, inter-agency agreements, group purchasing organizations, group buying organizations, and third-party vendors.
 - State procurement agency agreements: This is an inter-governmental agreement with the State which may include public, private, and non-profit entities. This procurement service is not part of the CNP State agency as the services are conducted for State facility needs using State procurement standards and the State allows local educational agencies (LEAs), school food authorities (SFAs), and other CNP operators to purchase from the State's contracted sources. When competitive procurement methods are conducted by the Program operator, this agreement may be one source of prices when using small purchase procedures, sealed bids or competitive proposals, as applicable.
- (continued on following page)*

- A** 3. Third Party, *continued*.
- Inter-agency agreements: This is an agreement which may include public, private, and non-profit entities formed to procure goods and services together. An example is an educational hub whose purpose is to purchase goods and services for LEAs. When competitive procurement methods are conducted by the Program operator, this agreement may be one source of prices when using small purchase procedures, sealed bids or competitive proposals, as applicable.
 - Group Purchasing Organizations, Buying Organizations, and Third-Party Vendors. Collectively referred to here as GPOs, these often include CNP and non-Program operators such as public and private schools, hospitals, universities, law enforcement, public works, etc. who join a third-party company or service provider. GPOs could be private for-profit or nonprofit entities. A GPO is typically structured in a way that may include a membership fee paid by member users, who are then granted access to the GPO price list of products and services. When competitive procurement methods are conducted by the Program operator, GPO price lists may be one source of prices when using small purchase procedures, sealed bids or competitive proposals, as applicable.

For additional Q & As, see [USDA Policy Memo SP 05-2017 Q&A: Purchasing Goods and Services Using Cooperative Agreements, Agents, and Third-Party Services](#).



Contract Provisions

When Child Nutrition Program funds are used, contracts or subcontracts must meet federal, state or local purchasing requirements, whichever are most stringent. Below is an abbreviated list of requirements for purchasing provisions to include in contracts. For additional guidance on federal and state purchasing regulations, contact KSDE.

- ◆ All contracts in excess of \$20,000 must include:
 - Contractual provision or condition which allows for contractual or legal remedies in instances where contractors violate or breach contract terms, and provides for such sanctions and penalties, as may be appropriate
 - Suitable provision of termination by the sponsor, including the manner in which it will be affected and basis for settlement. In addition, such contracts must set forth the conditions under which the contractor may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.
 - A provision requiring compliance with Executive Order 11246, entitled "Equal Employment Opportunity" as amended by Executive Order 11375, and as supplemented in the U.S. Department of Labor regulations

- ◆ All contracts in excess of \$250,000 must include a provision requiring compliance with all applicable standards, order or regulations used pursuant to the Clean Air Action of 1970 as amended.

Sponsors should enter into contracts only with responsible contractors who have the ability to perform successfully under the terms and conditions of a proposed contract. Consideration must be given to such matters as contractor integrity, record of past performance, financial and technical resources and accessibility to other necessary resources.

The sponsor must maintain a system for contract administration to assure contractor compliance with terms, conditions and specifications of the contract and to assure adequate and timely follow-up to all purchases.

Piggybacking

Piggybacking is when a Sponsor uses an existing open contract (operating within the contract period) established by another Sponsor. Piggybacks will not exist beyond the final contract date of the originating Sponsor's contract. A Sponsor may use a contract established by another Sponsor if agreeable to both the Contracting Sponsor and the Vendor and does not result in a 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 bidders known of these changes in advance, they could have bid differently and more competitively.

Vendor Service Problems

Q *The vendor who bid the lowest price on a number of items and was awarded the bid has failed to deliver certain items. Also, there have been a number of times when the item delivered has been different from the item that was specified. How should I handle this problem?*

A The first thing that should be done when a vendor fails to deliver certain items or delivers items that do not meet specifications is to document the problem, noting the date and writing an accurate description of the problem. Next, notify the vendor by telephone of the problem, and tell the vendor specifically how you want the problem corrected. With even the best vendors, problems occasionally arise and frequently a single phone call is all that is needed to correct the problem. However, you should keep a record of the dates of all phone calls and what was discussed in the event that talking with the vendor does not resolve the problem. If the problem continues, you should give the vendor written notification of the problem, state that you expect immediate correction, and that failure to do so will be considered a breach of contract and could result in the cancellation of the contract. If the vendor seems to be making little effort to resolve the problem to your satisfaction, you should discuss the problem with the sponsor's attorney and explore the available options. If cancellation of the contract becomes necessary, you should also take steps to disqualify the vendor from future bidding. Even if the contract is not canceled, you may want to consider taking action to disqualify the vendor from future bidding.

Special Offers

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

A In the food industry, it is common practice to occasionally have an item offered at a very low price because of a surplus situation. A sponsor should not have to pass up these kinds of opportunities. However, open and competitive purchasing procedures can still be maintained; for example, by phone contacts that are documented.

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

Using the same specification that Distributor XYZ provided as a description of the offered tomatoes, contact other suppliers by phone to check their prices for the identical goods. If Distributor XYZ's proposal proves to be too good to pass up, make the purchase. Be sure to document your contacts and the price quotations received.



Purchasing Produce

Q *Produce prices change so rapidly that vendors in my area will not give quotations for longer than a week. The amount of paperwork and time required to get weekly quotations is incredible. Do you have any suggestions for a better way to handle purchasing fresh produce?*

A Consider using formal purchasing with a cost plus fixed fee. With this approach, produce is invoiced at the contracted distributor's cost with a fixed fee for service added for the duration of the contract. This type of contract necessitates audits of the distributor's records by the sponsor. Note that a cost plus a fixed fee contract is not the same thing as cost plus a percentage (which is not allowed).



Purchasing Items Not on Contract

Q *How do I handle the situation where once all bids have been awarded, my schools find out they need several items that have not been bid?*

A Before a bid is sent out, every effort must be made to determine that all items needed during the bid period are listed. If an item or several items are accidentally omitted, you must purchase them using either micro, informal or formal purchasing procedures, depending on the dollar value of the purchase. It would be a good idea to document the reason that the items were not included in the original bid.



Purchasing Meals from Another Sponsor

Q *In the operation of the National School Lunch Program, can a sponsor purchase prepared lunches from a neighboring sponsor without soliciting competitive bids from the private sector or from other sponsors?*

A Yes. However, a contract should be signed by both parties describing the responsibilities of each sponsor. A prototype vended meal contract for a sponsor to provide food service for another sponsor is available in KN-CLAIM on the Checklist Tab.



Purchasing Consulting Services

Q *Are sponsors required to competitively bid a personal service contract to hire a food service consultant?*

A The purchasing of services is subject to the same principles as the purchasing of food, equipment, supplies, etc. The specific method of purchasing may vary depending on circumstances, but an element of competition is always required.



Equipment

Equipment Purchase Preapproval Process

Equipment means an article of nonexpendable personal property with a useful life of a year or longer and an acquisition cost which equals or exceeds the Federal per-unit capitalization threshold of \$5,000. USDA requires Sponsors to obtain prior written approval before incurring the cost of capital expenditures including equipment. USDA has approved the KSDE list of equipment typically purchased by Sponsors that will receive automatic KSDE approval and may be purchased following proper Federal, State and local purchasing procedures without submitting a request to KSDE for approval. See KSDE Child Nutrition Program Equipment List. If a Sponsor chooses equipment that is not included on the USDA approved list, they must submit a request for approval to the Director of Child Nutrition Programs, KSDE prior to purchasing the item as required at 2 CFR Part 225, Appendix A, section 15.

During the Administrative Review, KSDE must ensure appropriate equipment purchases were made based on either the approved equipment list or the State agency prior approval process. If any equipment purchases are identified as unallowable, KSDE would disallow these purchases and implement their debt collection procedures.

Equipment Disposition & Depreciation

If you have equipment that you are not using and want to dispose, if the current fair market value is less than \$5,000 you can sell or dispose with no obligation to KSDE or USDA.

If the fair market value is in excess of \$5,000, contact your Child Nutrition Consultant or the Topeka office to assist you in calculating the amount that will need to be returned to KSDE/USDA.

To determine fair market value, the Kansas State Standard for Useful Life of Equipment is 8 years.

Depreciation Example:

◆ $\$24,000 \div 8 = \$3,000$ depreciation / year

Remember, if you want to sell a piece of equipment BEFORE the depreciated value is less than \$5,000 - call CNW to determine the amount of federal funds to return.

Procurement Definitions

Aggregate Purchase Amount refers to any purchase or group of purchases, e.g., milk and milk products, bread, canned and staple foods, fresh frozen meats, etc., capable of being secured from a single source on a given date or during a purchase period.

Approved Vendor List identifies vendors who have demonstrated the ability to perform successfully under the terms and conditions of a proposed purchase, with consideration being given to contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

Audit is a review of vendor's invoices to assure costs charged to the sponsor are based on the vendor's actual costs. An audit is required when a contract permits price changes based on changes in the vendor's costs during the contract period.

Bid is a formal notice by the contractor or vendor to the buyer of the conditions and price under which he will furnish the equipment, supplies, or services set forth in the buyer's specifications.

Child Nutrition (CN) Labeling Program is a voluntary technical assistance program for the Child Nutrition Programs administered by USDA's Food and Nutrition Service (FNS) in conjunction with the Food Safety and Inspection Service (FSIS), Agricultural Marketing Service (AMS), and National Marine Fisheries Service. This program essentially involves review of a manufacturer's recipe or product formulation to determine the contribution a product makes toward CN meal pattern requirements. A CN labeled product provides a warranty against audit claims if the product is used according to the manufacturer's directions. The warranty applies only to the CN labeled portions, not the entire meal.

Child Nutrition Program (CNP) includes the following federal programs: National School Lunch Program, School Breakfast Program, Special Milk Program, Afterschool Snack Program, Summer Food Service Program, Fresh Fruit and Vegetable Program, and Child and Adult Care Food Program.

Comparative Pricing refers to an examination of prices offered by vendors to determine the comparative difference in a standard unit (e.g. cases, pounds, cost per serving or singular equipment item).

Competitive Sealed Bids (formal purchasing) is a method of purchasing in which competitive sealed bids are publicly solicited (i.e. formally advertised) and a firm-fixed-price contract (lump sum or unit price) is awarded to the lowest priced and most responsible bidder.

Contract is a written agreement between two or more competent parties to perform or not to perform a specific act or acts for monetary/legal consideration.

Cost Per Serving is the total cost of a food or food item divided by the total number of servings purchased or prepared.

Cost Reimbursable Contract bases payment on invoices for costs incurred. These costs are submitted by the vendor. This type of contract should not be executed, unless the sponsor has an accurate system to validate the vendor's costs.

Documentation refers to written or printed records serving as proof (or supporting references) of the price and general requirements of a purchase. Records such as quotes, bids, invoices, and receiving documents may serve as documentation in the procurement process.

Escalation Clause in a purchase contract provides for an up or down adjustment of the contract price if specified contingencies occur.

Fixed Price Contract provides for a firm price; the contractor bears the full responsibility for profit or loss.

Market Basket Analysis allows a Sponsor to review bids using an established representative sample of goods and use this subset of prices to award a contract as long as the published solicitation includes language that allows for this type of an evaluation. Is it not acceptable for awarding equipment or service contracts. In determining the goods to be used for evaluating the award, the Sponsor must select a representative sample; USDA recommends the aggregate value be 75% or more of the estimated value of the contract to be awarded. When using the market basket analysis, the Sponsor must obtain pricing for the remaining listed goods that were not included in the market basket analysis prior to the final award. The pricing of these miscellaneous goods must be reasonable. For further details, see [USDA Policy Memo SP 04-2018](#).

Purchasing (Buying) is the process of obtaining supplies, equipment, or services of the right quality, at the right time, at the right price and from the right source. It includes all activities from the preparation and processing of a requisition, through receipt and approval of the final invoice for payment. Preparing specifications, making the purchase, and administering the contract are involved.

Purchasing Method refers to the use of micro purchase procedures, informal purchase procedures (also known as “small purchase procedures”) and formal purchase procedures (also known as procurement by sealed bids, procurement by competitive proposals and procurement by noncompetitive proposals).

Procurement Plan is a statement of policy or plan of operation, which defines how a sponsor will use the various purchasing methods for the different items to be purchased. The reasons for selecting a certain method should be clearly stated. The plan should address these three key aspects of procurement: competition, comparability, and documentation.

Product Analysis Statement is signed and dated by the food manufacturer and can be used to document the contribution a commercially prepared food item makes toward meeting meal pattern requirements. Unlike the CN-labeled product, the Product Analysis Statement provides no warranty against audit claims. However, should an audit exception be made following analysis of the product, the sponsor may have legal recourse against the food manufacturer submitting the signed statement.

Purchase Conditions describe the sponsor’s terms and conditions of the proposed purchase which can include type of items the bid is to cover; contract period, date, time, and location of bid opening (if applicable); a list of sites and their addresses; how and when awards will be made; quantities to be purchased; transportation terms, etc.

Quote is a formal or informal, but documented, notice by a vendor to the buyer of the conditions and price under which the vendor will furnish certain equipment, supplies, or services.

Responsible Bidder is a vendor who is qualified by experience and equipped to perform the work required or furnish the materials indicated in the specification and who has the necessary financial backing and ability to complete the contract.

Small Purchase Procedures are simple and informal methods that are sound and appropriate for purchasing food, supplies, equipment, or services, which are not normally more than \$20,000 for non-food items or services or \$250,000 for food items purchased on an aggregate basis. Procedures must be used to ensure free and open competition.

Specification is a description of equipment, supplies, or services setting forth in a clear and concise manner the characteristics of the item to be purchased, and the conditions under which the purchase will be made.

Unprocessed Locally Grown or Locally Raised Agricultural Products are only those agricultural products that retain their inherent character. The effects of the following handling and preservation techniques shall **not** be considered as changing an agricultural product into a product of a different inherent character: cooling, refrigerating, freezing; size adjustment through size reduction made by peeling, slicing, dicing, cutting, chopping, shucking, and grinding; drying/dehydration; washing; the application of high water pressure or “cold pasteurization”; packaging (such as placing eggs in cartons) and vacuum packing and bagging (such as placing vegetables in bags); butchering livestock, fish and poultry; and the pasteurization of milk.