



Guidance Memorandum 4: Methods of Procurement

Purchase of Meals

It is best practice to consult a legal professional before entering and signing any agreement.

Contract with a School Food Authority (SFA)

Procurement Method: Vendor Agreement

- Use the DPI CACFP *Vendor Agreement to Provide Meals/Snacks* as the contract unless DPI has approved your agency to use an alternate contract prior to executing an agreement.

Contract with Vendor (Not an SFA)

Vendor Agreement (Informal Micro-Purchase Method): Up to \$50,000

Obtaining price quotations for selecting a vendor is not required when:

1. Costs are reasonable.
 - a. Refer to [Guidance Memorandum \(GM\) 4](#) for guidance on verifying reasonableness of price.
 - b. Best practice is to use the *Record of Potential Vendors Contacted* to document quotations.
2. To the extent possible, services should be purchased equitably among qualified vendors.
3. Use the DPI CACFP *Vendor Agreement to Provide Meals/Snacks* as the contract with the selected vendor unless DPI has approved your agency to use an alternate contract.

Vendor Agreement (Informal Small Purchase Method): Up to \$250,000

1. Contact at least two to three vendors and obtain price service quotations.
2. Complete the *Record of Potential Vendors Contacted* for documentation of contacted vendors' price and service quotations.
3. Use the DPI CACFP *Vendor Agreement to Provide Meals/Snacks* as the contract with the selected vendor unless DPI has approved your agency to use an alternate contract.

Competitive Sealed Bid or Proposal (Formal Procurement Method): \$250,00 or more

- Follow procedures specified on pages 2-3 below.

Purchase of Food, Supplies, and Services (Administrative, Employment, Consultants etc.)

Micro-Purchase Method: Up to \$50,000 (Informal Procurement)

Informal acquisition of products or services up to \$10,000 per transaction. Agencies have the option to establish a higher local threshold up to \$50,000, or more. Refer to GM 4 for details on increasing the local threshold.

Obtaining price quotations for selecting suppliers is not required when:

1. Costs are reasonable.
 - a. Refer to GM 4 for guidance on verifying reasonableness of price.
2. To the extent practicable, goods should be purchased equitably among competitors.

Small Purchase Method: Up to \$250,000 (Informal Procurement)

1. Obtain price quotations from an adequate number of qualified sources or competitors (two to three).
2. Maintain records of obtained price quotations and selected suppliers for making purchases.

Formal Procurement Methods

Contact your [assigned consultant](#) to discuss which formal procurement method meets the agency's needs and for current DPI formal procurement template.

Competitive Sealed Bid: Invitation for Bid (IFB) - \$250,000 or More

Use when a complete, adequate, and realistic specification or purchase description can be provided within the IFB, and the selection of a successful bidder can be made principally on the basis of price.

A firm fixed priced contract is awarded to the bidder submitting the lowest priced bid conforming to the terms and conditions of the IFB.

1. DPI must approve the agency's IFB prior to its release.
2. Within the IFB, define the required specifications and service for which are being solicited excluding any unallowable cost provisions.
 - a. Procurement descriptions should not include information that could serve to restrict competition. Information that could restrict competition may include the specification of brand name products or the inclusion of nonessential product characteristics.
 - b. Detail any documents that must be submitted as part of the bid. *Ex: within IFB for meal service contracts, require the bidders to submit menus with serving size information for each item and specifications describing the foods to be used in the preparation of meals.*
3. Include within the IFB where and when the bids must be submitted and will be opened publicly.
 - a. At least 30 days must be allowed between public announcement of the IFB and the deadline for submission of bids.
4. The IFB must be sent to adequate known suppliers. *Ex: for meal service contracts, send to food service management companies, restaurants, health facilities, schools etc.*
5. The bid must be announced with a formal advertisement (legal notice).
 - a. In addition to sending IFBs, the agency must formally advertise the proposed procurement to other potential vendors by publishing a legal notice in area newspapers and/or in newspapers of general circulation in the state. The costs of sending IFBs and placing newspaper advertisements are allowable to be charged to the CACFP for agencies that have current agreements with the DPI.
 - b. **A formal advertisement must include:**
 - i. The name, address, and telephone number of the contracting agency;
 - ii. How to obtain the IFB;
 - iii. A brief and general description of the contracting requirement;
 - iv. The deadline for bid submissions; and
 - v. The date, time, and place of the bid opening.
6. The bid opening must be done after the final deadline for submission of bids.
 - a. Bids received prior to the deadline cannot be opened until the bid opening.
 - b. Bids received after the deadline should be returned unopened to the bidder.
 - c. Bids must be opened at the time and place specified in the IFB. Local and tribal governments must open bids publicly and read them aloud.

Competitive Sealed Bid: Invitation for Bid (IFB) - \$250,000 or More (continued)

7. Do not announce contract award at bid opening. Contracting agency must examine lowest price bid to determine responsiveness to IFB and ascertain that the lowest bidder is a responsible vendor.
 - a. **Responsive Bids:** Should offer a product that does not substantively deviate from requirements of IFB.
 - i. All terms of IFB, including price, expected quantities, delivery schedule and quality, must be considered as minimum requirements for being responsive, and any attempt to modify these minimum requirements (i.e., for a bidder to offer twice a week delivery rather than the daily delivery required in the IFB) would make the bid nonresponsive.
 - ii. Any attempt to make the bid price conditional or contingent upon other factors would make the bid nonresponsive unless contingent bids had been authorized within the IFB.
 - b. **Responsible Vendors:** Must be willing and able to furnish the specified goods and services.
8. Contract must be awarded to supplier submitting the lowest price bid unless the bid is un-responsive or not responsible. Such a finding must be well documented since a low bidder may sue if not awarded the contract. Contracts cannot be awarded based on any unallowable cost provisions.
 - a. If only one bid is received after competitive solicitation, approval must be obtained from the DPI prior to awarding the contract.

Competitive Proposal: Request for Proposal (RFP) - \$250,000 or More

Use when the procured services or products cannot be fully described in the bid specifications because of their complexity and technical nature. The award of the contract must be based on evaluation factors other than price, but price must be a primary evaluation factor.

1. DPI must approve your agency's RFP prior to its release.
2. An RFP must be prepared detailing the contracting agency's requirements and objectives. It must not include any unallowable cost provisions and must identify all evaluation factors with their relative importance. Cost must be the primary evaluation factor.
3. The RFP must be sent to adequate known suppliers. *Ex: for meal service contracts, send to food service management companies, restaurants, health facilities, schools etc.*
4. The RFP must be formally advertised (legal notice).
 - a. In addition to sending RFPs, the agency must formally advertise the proposed procurement to other potential vendors by publishing a legal notice in area newspapers and/or in newspapers of general circulation in the state. The costs of sending RFBs and placing newspaper advertisements are allowable to be charged to the CACFP for agencies that have current agreements with the DPI.
 - b. **A formal advertisement must include:**
 - i. The name, address, and telephone number of the contracting agency;
 - ii. How to obtain the RFP;
 - iii. A brief and general description of the contracting requirement;
 - iv. The deadline for bid submissions; and
 - v. The date, time, and place of the bid opening.
5. The deadline for submitting proposals must be a minimum of 30 days after publication of the RFP, depending on the complexity of the procurement.
6. The contracting agency must have written procedures for conducting technical evaluations of the submitted proposals and for selecting the responsible vendor. The contracting agency may negotiate price and methodology with respondents to the RFP after receiving their proposal.
7. After negotiating with one or more of the respondents and following the evaluation of all submitted proposals, a contract must be awarded to responsible vendor with the overall cost and technical proposal that is most advantageous to the contracting agency. Contracts cannot be awarded based on any unallowable cost provisions.