

Procurement by Small Purchase (Informal) Procedures aka 3 Bids and a Buy

The Small Purchase (Informal) or “3 Bids and a Buy” Method is used when the estimated dollar value of the procurement event is less than the Federal small purchase threshold, which is currently at \$250,000. However if the organization’s small purchase threshold is less than \$250,000, the organization would use its small purchase threshold because it is more restrictive. When determining the value of the contract or purchase, estimate the value based on individual contracts or purchases.

- For example awarding a contract to a prime vendor and a milk distributor is considered two separate contracts or procurement events.
- However the value of a series of purchases made from a prime vendor over the course of the school year should be considered when evaluating the value of that prime vendor contract.

The Small Purchase Procurement Procedures require:

- The use of a solicitation (verbal or written) document. The decision to solicit verbal offers (phone or in-person) or use a written document (fax, mail, email) depends on the product(s)/service(s) and the estimated value of a procurement.
- Competition – price and rate quotes must be obtained from an adequate number of qualified sources (that is, minimum of three price quotes).
- Must be free of non-competitive practices.
- Procurement process must be documented.

Differences between Small Purchase Method and Formal Procurement Method

- No public notice required.
- No closed bid requirement meaning vendors do not have to share price or rate quotations in a sealed envelope. DO NOT share one vendor’s price/rate quotes with another vendor during the solicitation process.
- No public opening required.

Seven Steps of the Small Purchase Procurement Method:

Step 1 Pre-Solicitation: Get to know prospective vendors, who to contact for price/rate quotes, and conduct market research to find out what is available.

Step 2 Develop Your Solicitation: Write specifications and draft the solicitation document (Use the Small Purchase Procurement template). Include annual quantity for each specified item, any contract terms and conditions including federal, state, and local requirements such as Buy American, Equal Employment Opportunity, affirmative steps to include Targeted Small Businesses, affirmative steps to include Targeted Small Businesses, invoice method, delivery requirements, and type of contract to be awarded. The federal terms vary based on the value of the procurement event.

Step 3 Start the Solicitation Process: Obtain price quotes from a minimum of three qualified vendors. Provide vendors with the solicitation document (written product specifications and contract conditions.) Vendor may be contacted via phone, email, fax, regular postal mail, or in person. Although written communication with vendors is not required it is preferred to maintain a history of the procurement process.

Step 4 Document Vendor Responses: At a minimum, document the vendor business name and address, contact method, name of the person at the vendor business providing the price/rate quotes, the price quoted, date the price was quoted, and the duration of the price quote.

Step 5 Evaluate Vendor Responses: Review vendor responses to ensure vendor meets the School Food Authority requirements as specified in the solicitation such as providing prices for the products/services specified by the School Food Authority or an equivalent product, can meet the delivery and other requirements. Calculate line item or bottom line pricing to determine the vendor with the lowest price.

Step 6 Award the Contract: The award goes to the most responsive (able to meet the requirements of the solicitation) and responsible (able and willing to furnish the goods or services solicited) vendor with the lowest price.

Step 7 Monitor the Contract: Monitor vendor performance to ensure delivery matches orders including quality, quantity, and prices. Monitor vendor compliance with other terms and conditions including Buy American. Keep track of returns, exchanges and refunds.

Federal Regulation for Small Purchase (2 CFR §200.320(b))

Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

Resources:

National Food Service Management Institute. (2013). **Procurement in the 21st Century.** University, MS: Author

Small Purchase Procurement Template including Sample Log and Evaluation Matrix. Iowa Department of Education, Bureau of Nutrition and Health Services.