

## **Procurement by Formal Purchase Method – Invitation for Bids (IFB) or Request for Proposals (RFP)**

The Formal Procurement Method must be used when the dollar amount of the procurement event has an estimated value equal to or greater than the federal small purchase threshold (Simplified Acquisition Threshold), which is currently at \$250,000. If, however, the local purchase threshold is less than \$250,000, the School Food Authority or organization would use its local purchase threshold because it is more restrictive.

Additionally, the School Food Authority or organization may choose to use the formal procurement method for any procurement event, that is, those events with an estimated value less than the federal small purchase threshold or local purchase threshold, whichever is more restrictive. For example, formal procurement method may be used if the value of the procurement event is high enough but may not exceed the small purchase threshold. The School Food Authority or organization has determined that formal procurement method will result in a better use of the school nutrition funds.

Three examples of what is meant by a 'procurement event' are:

- Awarding one contract to a prime vendor and another contract to a milk distributor is considered two separate procurement events.
- Making multiple purchases from a prime vendor over the course of the school year is considered one procurement event.
- Making a one-time purchase, such as a combi-oven is considered one procurement event.

The Formal Procurement Method may seem overly cumbersome or time intensive. However, when making a high dollar purchase, the Formal Procurement Method should result in a purchase that is cost-effective, cost-justifiable, and defensible from a competitive procurement perspective. As with any procurement event, it is important to allow for sufficient time and resources, this is particularly important when using a Formal Procurement Method.

Within formal procurement there are two methods available: Sealed Bids which uses an Invitation for Bids (IFB) and Competitive Proposals which uses a Request for Proposals (RFP).

These procurement methods are designed to provide free and open competition and ensure that Federal funds—when used to purchase products and/or services; result in the best and most responsive product at the lowest possible price.

A **responsive** vendor is one whose response conforms to all the material terms and conditions of the IFB or RFP.

A **responsible** vendor is one whose financial, technical, and other resources indicate an ability to perform the services required.

### **Similarities between Small Purchase (Informal) Procedures and Formal Procurement Methods**

Small Purchase Procedures and Formal (IFB and RFP) Procurement Method share some similarities.

- Both require the use of a solicitation.
- Both require competition.
- Both must be free of non-competitive practices.

Contracts awarded under these methods cannot be awarded on the basis of a cost plus percentage of cost or a cost plus percentage of interest 7 CFR 200.323(d)

### **Differences between Small Purchase (Informal) Procedures and Formal Procurement Methods**

Some significant differences between small purchase procedures and formal (IFB and RFP) procurement methods are as follows.

- Small purchase methods will almost always lead the SFA to receive fewer solicitations than will a formal procurement process.
- Formal procurement methods are more rigorous and prescriptive than the small purchases procedures in that they involve more time and effort to develop and publicize the solicitation, evaluate, and to award the contract.
- Formal procurement methods involve the drafting of a solicitation document that is far more detailed and complex than that which would be used for a small (informal) purchase procedure.
- Formal procurement methods take many more steps to ensure its intent to procure goods or services is widely and publicly solicited among prospective respondents.

**Sealed Bid** is a formal method of procurement in which sealed bids are publicly solicited, through an invitation for bid, resulting in the award of a firm fixed-price contract to the responsible bidder whose bid is responsive to the IFB, conforms to all the material terms and conditions of the invitation for bids, and is lowest in price. Discussions for the purpose of clarification may be conducted with responsible bidders who submit bids determined to be considered for award selection, to assure full understanding of all terms and conditions of the IFB response and Contract requirements following state regulations and SFA policy. 2 CFR §200.320 (c) (1) (i-iii). (For more information, refer to *Procurement in the 21<sup>st</sup> Century*.)

1. Develop solicitation specifications (refer to *Choice Plus Manual*);
2. Publicly announce/advertise the solicitation;
3. Open sealed bids at a pre-determined time, date, and location stated in the solicitation;
4. Determine the lowest bid from a responsive and responsible bidder and award the contract.

**Competitive Proposals** is a formal method of procurement also known as **Competitive Negotiations**, and is solicited through a request for proposal, RFP. A competitive proposal is appropriate when the procurement cannot be adequately described or the scope of the services cannot be clearly defined. While price alone is not the sole basis for award, price remains the primary consideration when awarding a contract under the Competitive Proposal method. The

RFP identifies the goods, products, and/or services needed, and all significant factors, such as scoring rubrics, used to evaluate the proposal.

The RFP is publicized and is used to solicit proposals from a number of sources. The response to a competitive proposal solicitation (RFP) consists of two distinct elements:

- the technical proposal, in which the respondent explains how the task will be accomplished; and
- the cost proposal, in which a respondent provides the costs for accomplishing its technical proposal.

The SFA or organization staff must have sufficient skills and expertise to evaluate proposals and/or conduct negotiations. An RFP will be issued when factors in addition to cost will be taken into consideration in awarding a contract. Therefore, the SFA or organization must be able to measure, justify, and document why one company's response to a particular criterion is better than another's. 2 CRF §200.320 (d) (1-4). (For more information, refer to *Procurement in the 21<sup>st</sup> Century*.)

1. Develop solicitation specifications
2. Publicly announce/advertise the solicitation;
3. Evaluate proposals using established scoring criteria in solicitation;
  - Providers of locally grown or raised unprocessed agricultural products may receive extra points in scoring; and
4. Enter negotiations with responders who meet or exceed cut-off score;
5. Award the contract to the most responsive and responsible responder whose proposal is most advantageous to the program, with price and other factors considered.

**Advertising the IFB and RFP:** The IFB and RFP should be advertised in major newspapers/trade journals that are normally used by the SFA or organizing for publicizing other procurements. It is not necessary that the entire IFB/RFP be published. At a minimum, however, the advertisement should include the IFB/RFP number, date of issue, a brief description of the solicitation requirements, and instructions for obtaining a copy of the IFB/RFP.

#### **Resources:**

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

Choice Plus: A Reference Guide for Food and Ingredients – A reference for writing better food specifications. <https://educateiowa.gov/pk-12/nutrition-programs/school-procurement/school-nutrition-procurement>

Request for Proposal (RFP) and Invitation for Bid (IFB) Templates – Iowa Department of Education, Bureau of Nutrition and Health Services.

Public Notification for RFP and Bids Template – Iowa Department of Education, Bureau of Nutrition and Health Services.

Rev 08-2018/kp