



**Office of Health and Nutrition Services
Fiscal and Administrative Services
Procurement Reviews: Top 10 Keys to Success**

Even though procurement has been around for a long time, it has become more and more of a hot topic in the school food service world. If you have not heard the news already, Administrative Reviews include a Procurement Review component requiring Michigan Department of Education (MDE) Financial Analysts to look at your procurement activities, policies, and practices. Now is a great time for your School Food Authority (SFA) to get prepared to ensure you have good procurement practices that are in compliance with the regulations.

Generally, when the term "procurement" is used, it refers to the purchasing of goods and services. Procurement is an important part of operating Child Nutrition Programs because Federal dollars are used to purchase goods and services. It is also an important step to ensure you are making sound financial decisions for your program. Therefore, SFAs must understand and comply with local, state, and Federal procurement regulations to ensure Federal dollars are spent wisely. Federal procurement regulations are found in the Uniform Guidance (UG) (2 CFR Part 200.317-.326).

The top ten keys to success in procurement reviews are:

- 1) **Review your current procurement practices:** SFAs should look at their current procurement practices for compliance to regulations. If proper procurement was not conducted, SFAs should obtain proper contracts with sound procurement practices as soon as possible.
- 2) **Future Procurement:** All future procurements must be conducted according to regulations and with consideration to the principles of good procurement. The principles encompassed in good procurement are Free and Open Competition, Fairness and Integrity, and Responsive and Responsible Vendors.
- 3) Ensure policies are in place for **Written Code of Conduct and Procurement Procedures:** Child Nutrition Programs are required to develop and implement a written code of conduct and procurement procedures designed to govern procurement activities (2 CFR Part 200.318). They should, at minimum, include the following: Standard of Conduct, Responsive and Responsible Vendors, Documentation, Contract Responsibility, and Product Specifications.
- 4) Review your **Documentation:** Procurement procedures must always be properly documented. Documentation is required to be kept for three years after the close of the



fiscal year or as long as there are unresolved audit findings or investigations related to those records.

- 5) Ensure you have met the **Informal and Formal Purchasing Thresholds:** For public schools in Michigan, the Small Purchase Threshold for services follows the Federal level which is now set at \$250,000. Michigan has set a level of \$100,000 for food purchases and a level of \$24,924 for the purchase of non-food/supplies and equipment. School boards or local authorities can set thresholds lower than the Federal or State of Michigan requirements. SFAs must adhere to the most restrictive, lowest threshold set in all situations. When determining which threshold applies to your purchase, determine the total purchase amount required of a particular good or service. Purchases of a particular item cannot be broken up to avoid using proper procurement procedures.
- 6) Investigate **Micro-purchasing:** Micro-purchasing is a newer method of informal procurement available in School Year (SY) 2015-2016 and may be used for the procurement of food and non-food items when the aggregate dollar amount does not exceed the new threshold set of \$10,000. Micro-purchases are intended to minimize the burden for very small purchases and may be awarded without soliciting competitive quotations if the operator considers the price to be reasonable. To the extent practicable, sponsors must distribute micro-purchases equitably among qualified suppliers. Supporting documentation for micro-purchases is required, including, but not limited to, invoices, receipts, and/or bills of sale. Note that the micro-purchase threshold may not be used in lieu of applicable procurement methods that may achieve a more economical approach.
- 7) Review your **Solicitation Documents:** Solicitations must identify all of the requirements that bidders must fulfill so that changes do not need to be made to the contract after the award has been granted. Failure to do so could 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 respondents (vendors/bidders) known of these changes in advance, they may have bid differently and more competitively. In this situation, the SFA must re-bid the contract.
- 8) Ensure all contracts have the **Required Provisions:** There are many required contract provisions which are dependent on the nature and size of the contract. The contract provisions can be found in 2 CFR 200.326. Two notable provisions include:
 - The **Buy American Provision** requires schools to purchase, to the maximum extent practicable, domestic commodities and products. Any entity that purchases food or food products on behalf of the SFA must follow the same Buy American provision that the SFA is required to follow. This may be accomplished by providing a Buy American clause in all product specifications, solicitations, purchase orders, contracts, and any other procurement documents.



- **Provision on Allowable Costs:** SFAs can only pay allowable costs from its nonprofit school food service account. Therefore, solicitations that result in a cost reimbursable contract or a contract that includes cost reimbursable provisions must require the return of rebates, discounts, and other applicable credits to the SFA account. Rebates, discounts, and other applicable credits should be clearly documented on invoices.
- 9) Review your participation in **Cooperatives, Group Purchasing Organizations, and Group Buying Organizations:** SFAs must follow Federal procurement regulations when entering into contractual agreements with entities for goods or services. SFAs are reminded that all procurement standards in program and government-wide regulations apply to the purchasing cooperative, group purchasing organization, group buying organization, and/or third party purchasing agent the same way as to the SFA. **The SFA is ultimately responsible** for ensuring that all contracted vendors have been properly procured and that contract monitoring is performed. This is true even when the services are offered free of charge.
- 10) Conduct proper **Contract Management:** Managing the contract is critical as it ensures that the contractor performs in accordance with the terms, conditions, and specifications of their contracts. It allows for adequate and timely follow-up of all purchases and requires that SFAs verify that all parts of the contract are being met as agreed upon. Did you receive the correct quantity and quality of the goods and services as requested? Did you receive the goods and/or services on time? Are you charged the correct prices as bid and within budget?

The bottom line is that SFAs must have written procurement procedures, internal control procedures, and proper documentation. SFAs must comply with all State and Federal regulations and requirements pertaining to procurement within the Child Nutrition Programs or they will be held accountable. Questions on procurement can be directed to MDE Fiscal Monitoring staff at MDE-Fiscal@michigan.gov or 517-241-5348.