Orientation to School Nutrition Management
Procurement and Inventory Management
Participant’s Workbook

Time: 3 ½ hours

Institute of Child Nutrition
The University of Mississippi

Key Area: Operations
Learning Codes: 2400, 2510

2017
Institute of Child Nutrition
The University of Mississippi

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The purpose of the Institute of Child Nutrition is to improve the operation of child nutrition programs through research, education and training, and information dissemination.

MISSION
The mission of the Institute of Child Nutrition is to provide information and services that promote the continuous improvement of child nutrition programs.

VISION
The vision of the Institute of Child Nutrition is to be the leader in providing education, research, and resources to promote excellence in child nutrition programs.

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Introduction

Procurement, or the purchasing function, supports the primary goal of the school nutrition programs, which is “to protect the health and well-being of the nation’s children,” as stated in the National School Lunch Act of 1946. Every purchasing decision made must be based on the nutritional needs of children and support for the staff at the school site where food is prepared and served. Procurement in school nutrition requires a multi-step process that occurs in a dynamic, ever-changing environment. This lesson is an introduction to the knowledge required to fulfill the duties and responsibilities of an aspiring school nutrition director in terms of procurement and inventory management. It will cover the very basics of procurement.

For a more in-depth review of procurement topics refer to the Procurement in the 21st Century resource. This resource is located on the ICN website at:


Role of the School Food Authority

The school nutrition director is charged with the responsibility of administration of the school nutrition program within a school district. The director must understand the details of the procurement process in order to successfully establish procedures which assure customers safe, nutritious, and quality meals at the best possible price and within the requirements of local, state, and federal regulations. This lesson is an introduction to the knowledge required to fulfill the duties and responsibilities of an aspiring school nutrition director in terms of procurement and inventory management. It will cover the very basics of procurement
Functional Area and Competencies

Functional Area 8: Procurement and Inventory Management

Competency 8.1: Develop procurement guidelines that comply with established regulations and support operational goals of the school nutrition program.

Competency 8.2: Establish operational procedures to effectively manage receiving and inventory systems.


Lesson Objectives

At the end of this lesson, participants will be able to accomplish the following:

1. Identify the stakeholders in the school nutrition food chain.
2. Discuss procurement considerations of a well-planned menu.
3. Recognize key information when forecasting menu items usage.
4. Create a mock product description.
5. Identify various types of acceptable purchasing methods.
6. Identify ethical behaviors.
7. Identify federal procurement regulations, policies, and procedures governing all school nutrition program purchases.
8. Recognize general inventory management practices.
Glossary

Agent
An agent is a person who is authorized to act for another through employment, by contract, or apparent authority. A School Food Authority (SFA) can contract with a Food Service Management Company (FSMC) to manage its food services and act as its procurement agent for acquiring its goods and services. The SFA must ensure that its procurement solicitation and contract used to hire the vendor identifies the scope of duties the FSMC must fulfill and the FSMC’s responsibilities as the agent of the SFA.

Aggregate Award
An aggregate award is the process of awarding a contract by categories for like items. Examples include awarding all the canned foods, staples, frozen foods, milk, other dairy products, or bakery items for a specific period of time.

Agricultural Marketing Service (AMS)
The U.S. Department of Agriculture’s Agricultural Marketing Service (AMS) administers programs that facilitate the efficient, fair marketing of U.S. agricultural products, including food, fiber, and specialty crops.

Arms-Length Transaction
An arms-length transaction is a transaction in which the parties are dealing from equal bargaining positions; neither party is subject to the other’s control or dominant influence, and the transaction is treated with fairness, integrity and legality.

Average Daily Participation (ADP)
The Average Daily Participation (ADP) for the National School Lunch and School Breakfast Program is based on attendance rather than enrollment. Calculating ADP in this manner is considered to be fairer to schools as it does not include children that do not eat lunch/breakfast (i.e., part-day kindergarteners) in the calculation.
Bond
A bond is an insurance agreement pledging surety for financial loss caused in connection with the contract. Essentially, a bond provides assurance to the school district that, if a loss occurs in connection with a contract related to their school nutrition operations, the loss will be covered to the extent agreed upon in the bond.

Brokers
Brokers are independent sales agents who negotiate sales for manufacturers by working with food distributors and school nutrition operations. The broker assists manufacturers by introducing new products to the school nutrition market. Brokers can assist the SFA staff by providing samples for taste testing to the districts.

Buy American
The Buy American provision (in section 12(n) of the National School Lunch Act) requires schools to purchase, to the maximum extent practicable, domestic commodities and products. A domestic commodity or product means an agricultural commodity that is processed in the United States, and/or a food product that is processed in the United States substantially using agricultural commodities that are produced in the United States. Purchases made in accordance with the Buy American provision must still follow the applicable procurement rules calling for free and open competition. Any entity that purchases food or food products on behalf of the School Food Authority (SFA) must follow the same Buy American provisions that the SFA is required to follow.

Capitalization
Capitalization is the amount and source of money needed to start and operate a business like a cooperative purchasing group.

Child Nutrition (CN) Labeling Program
The U.S. Department of Agriculture (USDA), Child Nutrition (CN) Labeling Program provides food manufacturers the option to include a standardized food crediting statement on their product label. Labels must be authorized by Food and Nutrition
Service (FNS) prior to use and manufacturers must have quality control procedures and inspection oversight that meet the FNS requirements. Products produced in accordance with the CN Labeling Program are generally purchased by providers for USDA meal programs. For additional information see http://www.fns.usda.gov/cnd/cnlabeling/default.htm.

**Code of Conduct**

A code of conduct is a set of rules outlining the responsibilities of, or proper practices for, an individual or organization. Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. A SFA must have a code of conduct governing the performance of the officers, employees, or agents engaged in contract awards and administration when the contract is funded in whole or in part by Food and Nutrition Service (FNS) program funds. In addition, this code governs the methods of procurement, establishes the requirement that the SFA perform a cost or price analysis for every procurement (including contract modifications), and determines which contract clauses and certifications are required in the SFA’s contracts.

**Collective Purchasing**

Collective purchasing is sometimes referred to as cooperative purchasing and occurs when a group of consumers buys from a particular supplier in order to reduce costs and increase quality.

**Competitive Proposals (previously known as Competitive Negotiation)**

Competitive proposals [i.e. a Request for Proposals (RFP)], solicit a technical proposal that explains how the prospective vendor will meet the objectives of the solicitation and a cost element that identifies the costs to accomplish the technical proposal. While price alone is not the sole basis for award, price remains the primary consideration when awarding a contract under the competitive proposal method.
**Competitive Sealed Bidding**

Competitive Sealed Bidding is a formal method of procurement in which sealed bids are publicly solicited [i.e. through an Invitation for Bid (IFB)], resulting in the award of a fixed price contract to the responsible vendor/bidder whose solicitation is responsive to the IFB, conforms to all the material terms and conditions of the IFB, and is lowest in price. In this case, the IFB must be publicly advertised, and solicitations must be solicited from an adequate number of known suppliers, providing them with sufficient time to respond prior to the date set for opening the solicitations.

**Conflict of Interest**

A conflict of interest is any action that allows a person to benefit at the expense of the public interest or the expense of their employer.

**Contract/Bidder**

A contract is a formal, legally enforceable agreement between a buyer (client) and a seller (vendor) that establishes a legally binding obligation for the seller to furnish goods and/or services and for the buyer to compensate the seller. A contract must clearly and accurately describe the goods, products, and/or services to be delivered or performed and the terms and conditions of the agreement. In the case of School Nutrition Programs, a contract is executed by the authorized representatives of the SFA and the vendor that calls for the provision of services, materials, supplies, and/or equipment by the vendor in accordance with all conditions and specifications in the solicitation/proposal documents for a price to be paid by the SFA prior to execution.
Contract Administration System
The contract administration system refers to the policies and procedures the School Food Authority has in place to ensure that vendors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Contracting Agency
A contracting agency is the grantee or subgrantee that awards the procurement contract.

Cooperative Purchasing
Cooperative purchasing occurs when a group of people join together to accomplish all or part of the steps in the purchasing task. In this reference, a purchasing cooperative consists of a group of school districts. Cooperative purchasing is a system that involves a group purchasing products, reducing costs, and improving the quality of products and services available to members.

Cost Index
A cost index is a price adjustments based on increases or decreases in labor or material cost standards or indexes that are specifically identified in the (fixed) contract. When using this type of contract, it is important to clearly state that price adjustments should reflect both increases and decreases in the identified index. Additional information on government types of contracts can be located at https://www.acquisition.gov/far/html/Subpart%2016_2.html.

Cost Reimbursable Contract
A cost a reimbursable contract is formal, legally enforceable contract that reimburses the vendor for costs incurred under the contract but does not provide for any other payment to the vendor, with or without a fixed fee. In a cost reimbursable contract, allowable costs will be paid from the nonprofit school nutrition account to the vendor net of all discounts, rebates, and other applicable credits accruing to or received by the vendor.
**Distributor**

A distributor is a commercial food company that purchases, receives, and/or stores commercial food products. Distributors sell, deliver, and bill the Recipient Agency for goods and/or services provided. A distributor sells the products made by manufacturers.

**Electronic/E-Procurement Procurement**

Electronic/E-Procurement Procurement is the term used to describe the use of electronic methods at every stage of the purchasing process, from identification of solicitation requirements to payment, and to potentially establish contracts.

**Ethics**

Ethics can be defined as the moral standards individuals use to guide decisions in their personal and professional lives. In the business world, ethical behaviors are practices that promote free and open competition. School nutrition professionals have a responsibility to act ethically in accordance with all federal, state, and local guidelines.

**Escalator/De-Escalator Clause or Market-Based Pricing**

Escalator/De-escalator Clause or market-based pricing are predetermined provisions in a contract stipulating specific conditions for an increase or decrease in price.

**Execution of Contracts**

To execute a contract is to complete and formally sign the legal document. For school nutrition purposes, it is the official signing of the contract by the School Food Authority and the vendor which indicates that the contract has begun (or has been renewed). Before any contract or amendment to a new or existing food service management company (FSMC) contract is executed, a State agency must review and approve the contract terms and assure that the SFA has incorporated all State agency required changes into the contract or amendment.
Feasibility Analysis
A feasibility analysis is an evaluation or analysis that is conducted to assess the potential impact of a proposed project or program. Its purpose is to assist in the decision making process to determine whether to implement the project or program.

First-In-First-Out (FIFO)
First-In-First-Out (FIFO) is the process of rotating the older product to the front and the newer items to the back of the shelf. The age of the item is based on the manufacturer’s pack date and not the date on the receipt.

Fixed Price (Fee)
A fixed fee is an agreed upon amount of money that is fixed at the inception of a cost reimbursable contract. In a cost reimbursable contract, the fixed fee includes the vendor’s direct and indirect administrative costs and profit allocable to the contract.

Food and Nutrition Service (FNS)
The Food and Nutrition Service (FNS) administers the nutrition assistance programs of the U.S. Department of Agriculture (USDA). The mission of FNS is to provide children and needy families with better access to food and a more healthful diet through its food assistance programs and comprehensive nutrition education efforts.

Food Service Management Company (FSMC)
A food service management company (FSMC) is defined as any organization, whether commercial or nonprofit, that contracts with a School Food Authority (SFA) to manage any aspect of the school nutrition program (SNP).

Food Supply Chain
The food supply chain is a group of stakeholders who have specific responsibilities involved in the procurement process. Each stakeholder operates as an independent business and each has specific sustainability goals. The school nutrition food chain includes the SFA staff, the distributor, the manufacturer, and the U.S. Department of Agriculture (USDA).
Forecasting
Forecasting is the process of analyzing current and historical data to determine future trends. In the case of school nutrition programs, forecasting involves predicting and estimating the goods, works, and services needed in specified areas for the coming year, and/or assessing needs by reviewing current procurement activities. Forecasting allows for procurement plans to evolve each fiscal year.

Free and Open Competition
Free and open competition means that all suppliers are playing on a level playing field and have the same opportunity to compete. Procurement procedures may never unduly restrict or eliminate competition.

Grade Standards
Grade standards are USDA quality standards and are based on measurable attributes that describe the value and utility of the products. U.S. Grade Standards provide a uniform language for describing the quality and condition for meat, poultry, fresh fruits and vegetables, and processed fruits and vegetables. While safety inspections are mandatory, the federal government does not require that all food products are graded.

Grantees and Subgrantees
A grantee means the government or other legal entity to which a grant is awarded and is accountable for the use of the funds provided. The grantee is the entire legal entity even if only a particular component of the entity is designated in the grant award document. A subgrantee is the government or other legal entity to which a subgrant is awarded and is accountable to the grantee for the use of the funds provided.
**Group Buying Service (GBS)**
A Group Buying Service (GBS) is a commonly used term to refer to an organization that buys on behalf of other entities in larger quantities. GBS could also refer to a purchasing cooperative, purchasing consortium, group buying/purchasing organization, etc.; a GBS can call itself many different names. A GBS can be for-profit or not-for-profit. It is vital that all procurement transactions be conducted in a manner providing free and open competition. This principle fully applies to purchases made through GBS.

**Incentives**
Incentives are rewards for commitment.

**Institute of Child Nutrition (ICN)**
The National Food Service Management Institute of Child Nutrition (ICN) is located at The University of Mississippi, Oxford campus. The mission of ICN is to provide information and services that promote the continuous improvement of child nutrition programs.

**Invitation for Bid (IFB)**
An Invitation for Bid (IFB) is a type of solicitation document used in competitive sealed bidding in which the primary consideration is cost; the expectation is that competitive bids will be received and an acceptance (award) will be made to the responsive and responsible vendor/bidder whose bid is lowest in price. An IFB is a formal method of procurement that uses sealed bidding and results in a fixed price contract with or without adjustment factors. The IFB must be publicly advertised; and bids shall be solicited from an adequate number of known suppliers, providing them with sufficient time to respond prior to the date set for opening the bids. Also, the IFB should describe the minimum standards expected of a responsible vendor/bidder in measurable terms.

**Just-In Time (JIT)**
Just-in time (JIT) is the delivery of food and supplies just in time for food preparation; usually once per week or longer based on the most cost effective delivery size.
**Lead Time**

Lead time is the amount of time necessary for the distributor to prepare and deliver the product to the district. Generally, the more lead time that can be provide a distributor, the most cost-effective price for the product. A longer lead time may be necessary for special ordered and fresh products.

**Less than Arms-Length Transaction**

A less than arms-length transaction occurs when a person responsible for making a purchase and appears to have a stake in the outcome is able to control or substantially influence the actions of others. This may include agreements between divisions of an organization; organizations under common control through common officers, directors or members; and an organization and a director or employee of the organization and his immediate family.

**Manufacturers**

Manufacturers are the companies responsible for processing raw products, developing new products, and sending finished products to distributors. In some cases, customers are allowed to directly purchase from the manufacturer when volume warrants.

**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 (vendor/bidder) known of these changes in advance, they may have bid differently and more competitively.

**Noncompetitive Proposal**

Noncompetitive proposal is a procurement method used when competition is deemed inadequate. Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals, and one of the following circumstances applies.

- 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.
• The awarding agency authorizes noncompetitive proposals.
• After solicitation of a number of sources, competition is determined inadequate. Negotiations must include both price and terms using the same procedures that would be followed for competitive proposals.

**Non-Bid Item**
A non-bid item is a food or service good that is not part of the specifications for the bid.

**Nonprofit School Nutrition Account**
The nonprofit school nutrition account is the restricted account in which all of the revenue from the school nutrition operations conducted by the School Food Authority principally for the benefit of school children is retained. This account is used only for the operation or improvement of the nonprofit school nutrition operation. Additionally, any money earned from the school nutrition operation can be used only to operate or improve the program.

**Offeror**
An offeror is the entity that responds to a Request for Proposal (RFP) for the purpose of providing a product or service. An offeror is also referred to as a respondent or vendor.

**Office of Management and Budget (OMB)**
The Office of Management and Budget (OMB) issues broad, government-wide financial requirements that affect the school nutrition programs (SNPs) and OMB circulars that explain these financial requirements.

**Online Bidding Service**
An online bidding service is a website in which a purchasing cooperative can make a solicitation through the Internet.
Ordering
Ordering is the process of communicating the name of the product, the product specifications, the code numbers, the quantities, and the delivery date and time for a product to be delivered by the vendor.

Order Placement Calendar
An order placement calendar is a planning tool that identifies when to order food and supplies for the school nutrition operation. The calendar includes the name of the vendor, the menu period dates, the date the item is to be served, the order date, and the required delivery date. Generally the calendar is developed annually and is updated accordingly as items are added or deleted from the menu.

Par Stock
Par stock is a predetermined inventory quantity for a particular item and serves as an indicator on when to reorder the product.

Performance-Funded Grants
A grant means an award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the federal government to an eligible grantee. A local program operator’s entitlement to funding from its administering agency is generally a function of the categories and types of service provided. Therefore, because reimbursement in the school nutrition programs (SNPs) is based on the number of meals served, the programs are said to be performance funded.

Procurement
Procurement is a multi-step process for obtaining the most responsive goods, products, and/or services at the best possible price. The steps in this process are planning, writing specifications, advertising the procurement, awarding the contract, and managing the contract.
Proprietary Products
Proprietary products are manufactured products ordered strictly for a particular program, or are unique to a manufacturer.

Purchasing Association
A purchasing association is the relationship between a manufacturer, a distributor, and a cooperative purchasing group.

Rebates
Rebates are monetary returns. The regulations require vendors under cost reimbursable contracts to provide sufficient information to permit the SFA to identify allowable and unallowable costs, as well as the amount of all such discounts, rebates, and other applicable credits on invoices and bills presented for payment to the SFA. [7 CFR 210.21(f), 215.14a (d) and 220.16(e).]

Recipient Agency (RA) Agreement
Under a Recipient Agency (RA) agreement, the RA, school, or other eligible agency enters into an agreement with the processor. This kind of arrangement requires the approval of the distributing agency. Once approved, the RA may purchase end products from that processor. A RA agreement should be used after the agency has completed its procurement process.

Request for Proposal (RFP)
A Request for Proposal (RFP) is a type of solicitation document used for the formal procurement method of competitive proposals. The RFP identifies the goods and services needed and all significant evaluation factors. The RFP is publicized and is used to solicit proposals from a number of sources. Negotiations are conducted with more than one of the sources submitting proposals, and either a fixed price or cost reimbursable type contract is awarded. Competitive proposals may be used if conditions are not appropriate for the use of competitive sealed bids.
**Respondent**
A respondent, also referred to as a vendor/bidder, is a commercial enterprise, a public or nonprofit private organization, or an individual that responds to a solicitation and potentially enters into a contract with the SFA. To be considered responsible, a vendor must be capable of performing successfully under the terms and conditions of the contract.

**Responsive and Responsible Respondent (Vendor/Bidder)**
To be considered responsive, a respondent must submit a response to the Invitation for Bid (IFB) or Request for Proposal (RFP) that conforms to all material terms and conditions of the solicitation. To be considered responsible, a respondent must be capable of performing successfully under the terms and conditions of the contract. In order to be awarded a contract, a respondent must be responsive and responsible.

**Revenues (Nonprofit School Nutrition Operations)**
Revenue, when applied to nonprofit school nutrition operations, means all monies received or accrued by accruing to the nonprofit school nutrition program (SNP) in accordance with the State agency’s established accounting system, including but not limited to, children’s and adults’ payments, earnings on investments, other local revenues, state revenues, and Federal cash reimbursements. Revenues received by the nonprofit school nutrition account are to be used only for the operation or improvement of such programs.

**Run Number**
The production run number is the code that identifies the production plant, the date, the shift, and the production line that manufactured the product. This number is not printed on the label but rather stamped on the case at the time the product is manufactured.
School Food Authority (SFA)
The School Food Authority (SFA) is the governing body responsible for the administration of one or more schools and has legal authority to operate the National School Lunch Program and/or School Breakfast Program.

School Nutrition Association (SNA)
Recognized as the authority on school nutrition, the School Nutrition Association (SNA) has been advancing the availability, quality and acceptance of school nutrition programs as an integral part of education since 1946. The School Nutrition Association is the only professional association dedicated solely to the support and well being of school nutrition professionals in advancing good nutrition for all children.

School Nutrition Procurement Team
The School Nutrition Procurement Team is a group of internal stakeholders representing the school district’s best interest. The team may include: the school nutrition director; the managers; the school nutrition staff; the business manager; a procurement officer; and the school board members.

School Nutrition Programs (SNP) include: School Breakfast Program (SBP); National School Lunch Program (NSLP); After School Snack Program (ASSP); Fresh Fruit and Vegetable Program (FFVP); Special Milk Program; Seamless Summer Option (SSO); and Summer Food Service Program (SFSP).

Small Purchase Procedures
Small purchase procedures, also known as informal procurement, are those relatively simple and informal procurement methods for securing services, supplies, or property that may be used when the anticipated acquisition will fall below the small purchase threshold. The small purchase threshold has been changed from $100,000 to $150,000. State and local regulations often set lower small purchase thresholds which are more restrictive than the federal level. In applying the small purchase threshold, the School Food Authority must adhere to the most restrictive, lowest limit set. If small
purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

**Sole Source Procurement**
Sole source procurements in the school nutrition program (SNP) occur only when the goods or services are available from only one manufacturer and/or through only one distributor or supplier. Sole source describes a condition of the procurement environment. In a true sole source situation, conducting a traditional solicitation (sealed bid, competitive proposal, or small purchase) is a meaningless act because the element of competition will not exist. When faced with an actual sole source situation, a School Food Authority must first obtain State agency approval, and then go directly to the one source of supply to negotiate terms, conditions, and prices.

**Solicitations**
A solicitation is a document used by the School Food Authority to acquire goods, products, and/or services. Solicitations must incorporate a clear and accurate description of the technical requirements for the material, product, and/or service to be procured. Solicitations must also identify all the requirements which the respondents (offerors) must fulfill and all other factors to be used in evaluating the solicitations or proposals.

**Solicitation Protest Procedures**
An interested party may protest a solicitation or other request for offers for a contract for the procurement of property or services; the cancellation of such a solicitation or other request; an award or proposed award of such a contract; and a termination of such a contract, if the protest alleges that the termination was based on improprieties in the award of the contract. Grantees and subgrantees must have protest procedures in place to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency.
Food and Nutrition Service (FNS) will accept a solicitation protest from a protestor only if the following conditions have been met.

- The contract was made in connection with the School Nutrition Program (SNP).
- The protestor has exhausted all administrative remedies with the grantee and subgrantee before pursuing the protest with FNS.
- Violations of federal law or regulations and the standards of this section exist (violations of state or local law will be under the jurisdiction of state or local authorities).
- Violation of a grantee’s or subgrantee’s protest procedures exists for failure to review a complaint or protest. Protests received by the federal agency other than those specified above will be referred to the grantee or subgrantee.

**Solicitation Template**

A solicitation template, sometimes referred to as a boiler plate, contains standard language included in the solicitation documents. The template should be reviewed by legal counsel for compliance to federal, state, and local requirements.

**Specification**

A specification is a concise statement of a set of requirements to be satisfied by a product, material, and/or process.

**Specification Sheets**

Specification sheets are written materials prepared by manufacturers to describe their equipment and document important product information.

**Standardized Recipe**

A standardized recipe is a recipe that has been tried, adapted, and retried several times for use by a given school nutrition operation. The recipe has been found to produce the same good results and yield every time when the exact procedures are used with the same type of equipment and the same quantity and quality of ingredients.
Standards of Identity (SOIs)
Standards of Identity (SOIs) for foods are federal requirements that define what a food product is, its name, and the ingredients that must or may be used in the manufacture of that food. SOIs protect consumers by ensuring labels accurately describe the products contained within the package.

State Agency (SA)
The State agency (SA) is the agency in the state responsible for administering the Child Nutrition Programs.

Stock Keeping Units (SKUs)
A stock keeping unit is a unique identifier for each unit of product. The SKU is usually the product code number.

Transparent
Transparent means that everything done by the SFA must be clear, forthright, and out in the open.

Transportation
Transportation is the process of moving food and non-food products from one site to another.

United States Department of Agriculture (USDA)
The USDA is the federal department responsible for administration of the nation’s child nutrition and USDA Foods distribution programs. The Food Distribution Division of USDA’s Food and Nutrition Service (FNS) is responsible for coordinating the distribution of USDA Foods to State agencies that oversee the SNP in their states. The FNS administers the nutrition assistance programs of the USDA. The mission of FNS is to provide children and needy families with better access to food and a more healthful diet through its food assistance programs and comprehensive nutrition education efforts.
USDA Foods
USDA Foods are available to any school that participates in a USDA school nutrition program. USDA foods account for 15 to 20% of the foods in SNPs and are 100% American grown.

Value-Analysis Process
A value-analysis process is a study of the total cost and total savings to the buyer on each purchase to determine if any specific cost is high for the value received.

Velocity Report
A velocity report provides the quantity, the date of purchase, and other valuable information. The report can serve as a tool for the SFA staff when forecasting the needs of the district and documenting solicitation integrity. Upon request, the distributor can generate a velocity report for products purchased during a specific time period.

Vendor
A vendor/bidder, also referred to as a respondent, is a commercial enterprise, public or nonprofit private organization, or individual that enters into a contract with a School Food Authority.

7 CFR Parts 3017
Government wide Debarment and Suspension-Nonprocurement USDA regulations, 7 CFR Parts 3017, explains limitations regarding debarment and suspension.

http://www.access.gpo.gov/nara/cfr/waisidx_01/7cfr3017_01.html

7 CFR Parts 3018
Governmentwide Debarment and Suspension-Nonprocurement USDA regulations include 7 CFR Parts 3018 (New Restrictions on Lobbying) which explains limitations regarding lobbying activities. http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=3ab3b64358512315f9684af1843bc32c&rgn=div5&view=text&node=7:15.1.7.2.6&idno=7
Stakeholders’ Responsibilities Handout

School Nutrition Procurement Team’s Responsibilities

- Follow federal rules and regulations when preparing bids and all solicitation documents.

- Plan menus in advance and incorporate USDA Foods.

- Plan ahead to adequately prepare solicitation documents.

- Ensure free and open competition by developing a solicitation document that presents respondents with enough detail to adequately respond but not so much detail that competition is limited.

- Establish fair and clearly defined performance expectations and complaint procedures.

- Negotiate, when appropriate, for longer contract terms (two or more years) that include price adjustment clauses.

- Forecast for established quantity based on past performance.

- Optimize the use of Stock Keeping Units (SKUs).

- Generate product descriptions, including green criteria as appropriate.

- Generate pre-bid meetings, solicitation, and contracts for vendors.

- Provide advanced written notification to the supplier before the placement of the first order to ensure timely distribution. Although not a federal requirement, a good practice is to provide a minimum of six weeks advanced notification.

- Establish reasonable delivery schedules and decrease frequency of drops whenever possible.

- Compile orders to meet required case or dollar volumes for delivery.

- Ensure staff availability to accept orders on scheduled delivery days and times.
• Ensure facilities are adequate to receive and maintain fresh and safe foods that will help to prevent spoilage and other loss.

• Provide adequate notification on product usage and menu changes. Use projected quantities in a reasonable time period.

• Purchase special order products as requested.

• Determine if new products are applicable for customers.

• Ensure utilization of products and quantities within a 10% plus or minus variance of quantities specified; otherwise notify distributor immediately to avoid overstock or short coding.

• Provide notification of expected school closings, holidays, and change in normal business hours.

• Minimize emergency orders.

• Provide current contact information to expedite product recall procedures.
Distributors

The distributor’s responsibility is to secure the best price for the district within the financial boundaries of the company. The distributor has a wealth of knowledge and experience and can recommend some procedures to maximize the supply chain efficiency. By initially contracting for larger drop sizes, the overall cost of the deliveries will be reduced for both the distributor and the school district. The distributor will save money on fuel and labor, and the district will reduce the labor cost in receiving multiple deliveries.

The distributor can provide a statement of the products purchased or a velocity report by the district. The distributor may be able to identify ways to reduce SKUs, thus saving the district money and reducing inventory. The distributor seeks opportunities for prime distributor awards and cannot help in the preparation of the bid.

Distributor’s Responsibilities

- Follow federal rules and regulations when preparing bids.
- Submit aggressive volume bids.
- Guarantee receipt of fresh, safe food.
- Provide recipes that optimize Stock Keeping Units (SKUs).
- Place orders in a timely manner.
- Ensure delivery of product each time an order is placed.
- Provide flexible delivery schedules to accommodate school closings and inclement weather conditions.
- Deliver the product awarded and not substitutes.
- Establish procedures to minimize shortages.
- Provide timely communications on limitations prior to submitting solicitation documents so accommodations can be considered.
- Provide notification if there is an excess of inventory.
- Notify upcoming solicitation proposals, the product description and specific requirements such as lead time.
- Provide notification of discontinued product and current inventory quantity.
- Provide velocity reports upon request.
Brokers
As the agent for awarded products, the broker will work to ensure that the process of getting the product to the distributor occurs in a timely and accurate fashion. The more lead time you can provide the distributor and broker will help to avoid hectic and rushed situations.

Broker’s Responsibilities
- Follow federal rules and regulations.
- Provide quality, safe foods.
- Ensure competitive pricing.
- Market new products.
- Provide current contact information for bid notifications.
- Communicate product recall procedures.
- Provide nutrient and ingredient information.
- Notify the manufacturer and/or school nutrition procurement team of product changes such as formulation, packaging, or discontinuance. Generally the manufacturer will make product changes and notify sales force to inform customers.
- Deliver the product awarded.
Manufacturers
The manufacturer contributes to the supply chain process by providing the products to the distributor. This may entail shipping the product from another geographic location or actually producing the product. In some cases, customers are allowed to directly purchase from the manufacturer when volume warrants.

Manufacturer’s Responsibilities
- Follow federal rules and regulations.
- Provide quality, safe foods.
- Ensure competitive pricing.
- Notify the SFA staff and brokers of product changes such as formulation, packaging, or if product is discontinued.
- Provide current contact information for bid notifications.
- Integrate USDA Foods into processed products as specified by the State agency or school district.
- Communicate product recall procedures.
- Create foods to meet school nutrition guidelines.
- Provide up-to-date nutrient and ingredient information and marketing suggestions for Point of Sale (POS).
- Keep distributor, broker and SFA staff abreast of new products.
- Complete correct documentation for Child Nutrition (CN) Labeling.
- Produce adequate quantity to eliminate/reduce shortages.
State Agency’s Responsibilities

- Communicate product recall and recall procedures in a timely manner
- Determine if new products are applicable for customers.
- Market new products.
- Provide timeline for ordering process for USDA Foods.

USDA Responsibilities

- Keep procurement rules and policy memos up to date.
- Provide recall guidance.
- Communicate product recall in a timely manner.
- Provide quality, safe food.
- Identify approved USDA Foods processors.
- Provide timeline for ordering process.
- Provide up-to-date, nutrient, ingredient, and meal component information.
- Provide up-to-date meal component information for CN labeling.
Forecasting—Past, Present, and Future Handout

**Instructions:** Your team has been assigned one of the following topics: “The Past,” “The Present,” or “The Future”. Identify the questions you would ask to acquire the information needed to accurately forecast menu items for the upcoming school year for your particular topic.

**The Past**
- Has the Average Daily Participation (ADP) for the serving of this item been increasing, decreasing, or remaining the same?
- What are the revenues from the past year?

**The Present**
- In what meal service is the item menue?
- For what grade levels is the item menue?
- Is the price of this item cost effective in the program, including the impact to utility and waste removal costs?
- How often does the item appear on the menu?
- Is the menuing of this item contingent on the availability of USDA Foods?
- What is the current inventory?
- Is there sufficient storage space including space for recyclables?

**The Future**
- What is the upcoming year’s menu?
- Will this item still be menue to the same clientele and in the same frequency as it is currently?
- Is the product still going to be available in the manufacturer’s portfolio?
- Are there any changes in menu or meal requirements that no longer allow this item to be served in the same manner as it has been? Will this force this item to be menue to different grade levels?
- Can you still afford to offer this item?
- Do you need to divert or order USDA Foods to produce this item?
- What is the estimated dollar value of your procurements for the upcoming year?
Key Information to Include in Product Description Specifications Handout

Name of the Product
Developing specifications for multi-ingredient, processed food products is more involved. Selecting a new product may require research on a brand name, industry standards for manufacturing, or quality indicators for the product. It might also be necessary to obtain samples and taste test the product before adding it to a solicitation document.

Description of the Product
A vendor will need a description of the product. The product description must clearly indicate that respondents may quote on brand name or preapproved equal products to ensure maximum free and open competition. For example, if a fish product is listed, the type of fish would need to be identified (e.g., tilapia), the cut of fish (e.g., filet), and the portion size, the precooked weight, and whether it is frozen, etc.

When specifying a brand, in addition to the above information, include: the manufacturer’s name, the manufacturer’s name for the product (e.g. rounds, triangles, and dips), the manufacturer’s code number, and the manufacturer’s pack size.

Case Pack and Weight
How should the item be packaged, and how big are the cases? This can be as simple as 6/#10 cans, or 4/5# loaves, or not to exceed 25#. Some other example descriptions may include: individually wrapped, 48 to the case, 72 to the case, or 96 to the case. Cases cannot exceed 30 pounds.

Minimum and Maximum Size and Pieces
What is the minimum size of the product? What is the maximum size of the product? A possible description may include: each serving must weigh a minimum of 3.9 ounces
and cannot exceed 4.1 ounces.
Main Ingredient(s)
What are the main ingredients? Some possible descriptions may include: pinto beans, black beans, or whole grain-rich tortilla.

Other Product Ingredients
What other ingredients can be included in the product? Some possible descriptions may include: whole-grain pasta, whole-wheat flour or product may include spices, emulsifiers, vegetable purees, and thickening agents.

Prohibited Ingredients
What ingredients are prohibited? When creating a specification indicate what ingredients are prohibited in the product (e.g., food additives, artificial colors and flavors, hydrogenated fat, Monosodium glutamate (MSG), and assorted allergens). USDA follows FDA standards and some states may have more stringent requirements. If there is ever a question about the ingredients of an item, the SFA staff should refer to an official ingredient label. Some possible descriptions may include: product cannot contain pork, fish by-products, MSG, soy derivatives, or food coloring.

Nutritional Standards
What are the nutritional standards for the product? Are there minimum or maximum nutrient or ingredient requirements or limitations? Some possible descriptions may include: pinto beans and black beans combined must provide a 1.5 ounce equivalent for the Meat/Meat Alternate, and the whole grain-rich tortilla must provide a 1.5 equivalent for the Grains component for the NSLP. Product must meet NSLP requirements.

Meal Pattern Requirements/Child Nutrition (CN) Label
Does the product contain certain meal components? Does the product have a CN label? The existence of a CN label on a product provides School Food Authorities and other FNS meal program operators with a guarantee that the product contributes to the meal pattern requirements as printed on the label.
Unit on Which Award Is Made
How will the SFA team determine which company is offering the best price for an acceptable product? How will the unit price be determined for an acceptable product? Some possible descriptions may include: by the case, by the serving size, or per pound.

Quality Indicators
What are some quality indicators for a particular product? Some food items are very basic and are either defined by their single-ingredient, such as iodized salt, or by their standard of identity. Standards of Identity for foods are federal requirements that define what a food product is, its name, and the ingredients that must or may be used in the manufacture of that food. SOIs protect consumers by ensuring labels accurately describe the products contained within the package. For example, an imitation spread cannot be called mayonnaise, and a non-dairy frozen dessert cannot be called ice cream. In the United States, SOIs are issued by the USDA, the Food Drug Administration, and the Bureau of Alcohol, Tobacco, Firearms, and Explosives. The specifications for single-ingredient items and items with SOIs may simply be written with only their pack size as a qualifying characteristic. Many times brands are not listed on the specification for single-ingredient or SOI items.
Mock Bean Burrito Product Description Activity Template Handout

Directions: Practice writing a product description for a Bean Burrito.

Name of the Product:

Description of the Product:

Case Pack and Weight:

Minimum and Maximum Size and Pieces:

Main Ingredient(s):

Other Product Ingredients:

Prohibited Ingredients:

Nutritional Standards:

Unit on Which Award Is Made:

Quality Indicators:

Grade Standards:

Meal Pattern Requirements/Child Nutrition (CN) Label:
Mock Bean Burrito Product Description Example Handout

Name of Product: Bean Burrito

Description of the Product: two-bean burrito on a whole grain-rich tortilla

Case Pack/Weight: 72 to the case; paper between layer; bulk case cannot exceed 22 pounds in total weight

Minimum and Maximum Size and Pieces: 3.9 ounces and cannot exceed 4.1 ounces

Main Ingredient(s): pinto beans, black beans, and an individual whole grain-rich tortilla

Other Product Ingredients: product may include spices, emulsifiers, vegetable purees, and thickening agents

Prohibited Ingredients: product cannot contain dairy, beef, chicken, pork, fish by-products, trans fats, or monosodium glutamate, (MSG)

Nutritional Standards: pinto beans and black beans combined must provide a 1 ounce equivalent for the Meat/Meat Alternate, and the whole grain-rich tortilla must provide a 1 equivalent for the Grains component for the National School Lunch Program; product must be 10% or less calories from fat and may not exceed ___mg sodium.

Unit on Which Award Is Made: based on unit price for acceptable products

Quality Indicators: private label or manufacturer’s brands are subject to internal quality screening; golden brown color; ability to hold in warming cabinet for up to one hour

Grade Standards: Not Applicable

Meal Pattern Requirements/Child Nutrition (CN) Label: CN label preferred or product must meet 1 ounce equivalent for the Meat/Meat Alternate, and the whole grain-rich tortilla must provide a 1 equivalent for the Grains component for the National School Lunch Program.
Competitive Procurement Handout

Similarities between Small Purchases and IFQ and RFP, Procurement Methods

Small purchases and formal (IFB and RFP) procurement methods share some similarities.

- Both require the use of a solicitation.
- Both require competition.
- Both must be free of anticompetitive 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 Part 3016 and Part 3019).

Differences between Small Purchases and Formal Procurement Methods

Some significant differences between small purchase methods and 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 methods in that they involve more time and effort to develop and publicize the solicitation 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 in a small purchase.
- IFQs and RFPs procurement methods take many more steps to ensure its intent to procure a good or service was widely and publicly solicited among prospective respondents.
IFBs are used when:

- complete specifications or descriptions of the product or service are available or could easily be developed by the SFA,
- responsive bids differ along no dimension other than price, and
- more than one qualified source is thought to be willing and able to compete for the award.

An RFP must, at a minimum:

- state the purchasing agency’s need using clear and thorough specifications that are not overly restrictive;
- specify the anticipated terms and conditions of the contract;
- provide information that the respondent must include in their proposal as to how they will accomplish the services requested;
- identify each factor that the purchaser will use to evaluate the proposals and award the contract;
- describe how technical and cost factors will be considered in making the final determination of which respondent will receive the contract [i.e. the relative importance (or weight) of each factor in the award of the contract]; and
- state that the award will be made, on the basis of price and other factors, to the responsive and responsible firm or individual whose response is most advantageous to the purchasing agency, after price and other factors have been considered.

**NOTE:**

The SFA may receive general specification information to use in developing its IFB or RFP. This information can only be used for the purpose of developing a specification. The information received from a vendor cannot be used word for word in a solicitation. A person who develops drafts, specifications, requirements, statements of work, invitations for solicitations, requests for proposals, contract terms and conditions, or other documents used by the SFA in conducting the procurement may not compete for the procurement. The SFA must be careful not to lift the words of potential bidders as doing so could potentially exclude the individuals from the bidding process.
Ethical Scenarios Answers Handout

Supplier Relations: Is This Ethical?
A vendor tells you there is a special on whole grain-rich dinner rolls. He states the rolls meet the USDA whole grain-rich criteria. The rolls will only be offered at a special price on Thursday. To receive the special price, you will need to attend a luncheon hosted by the vendor and purchase the rolls during this time.

Answer: This is not an ethical practice. It is appropriate to develop professional, collegial relationships with your distributors. The key is establishing and understanding the parameters of the relationship with present or potential suppliers. Attending supplier-hosted lunches, dinners, or business organization meetings is acceptable as long as there is no obligation to do business with the host supplier as a result of attendance. While an occasional business lunch may be appropriate, holding business meetings with suppliers in social settings outside the office can create the impression of impropriety. Such behaviors may provide sufficient justification for potential distributors to seek an administrative bid hearing.

Other unacceptable and illegal practices include:
- showing preference to suppliers because of pressure from management,
- allowing personality to enter into purchasing decisions,
- giving preference to suppliers based on long-term business relationships,
- giving preference to suppliers based on political connections, and allowing anyone who is involved in manufacturing or selling the product to help you with writing the bid specifications or bid provisions.

Gifts and Gratuities: Is This Ethical?
A vendor has learned of your engagement and sends you a new house-warming gift. You take it home, and it looks beautiful on your fireplace mantle. How did he know exactly what to buy? You can’t wait to thank him the next time you place an order.
**Answer:** This is not an ethical practice. Food distributors will often present gifts or gratuities as a way to earn your business or as a reward for being a loyal customer. A gift is anything of monetary value, including food, meals, travel, or entertainment, including tickets to shows or sporting events. As innocent as a gift may appear, the solicitation or acceptance of gifts for personal gain may be considered unethical. Refer to the school district’s gift acceptance and gratuity policy for procedures specific to your district. In general, if there is a doubt regarding the ethics of accepting a gift, then do not accept it.

**Monetary Dealings: Is This Ethical?**

Your son calls and says he will need a new track uniform and money to purchase a $200 pair of tennis shoes. You tell him the shoes are not in the budget. A vendor over hears the conversation and offers you a loan. You accept the offer and plan to pay him back in the near future.

**Answer:** This is not an ethical practice. Soliciting or accepting money, loans, credits, prejudicial discounts, or services from your present or potential suppliers can also be unethical because it might influence or appear to influence your purchasing decisions. In addition, never lend money to or borrow money from suppliers.

**Legitimate Discounts, Rebates, or Credits: Is This Ethical?**

A vendor indicates the product you purchased is eligible for a manufacturer’s rebate. When you review your invoice you do not see the rebate. After contacting the vendor you discover he totally forgot to process the rebate, and the offer is no longer available. He states he will give you free product valued at the dollar amount of the rebate.

**Answer:** This is not an ethical practice. A rebate helps offset expenses and acts as a purchasing incentive. When you do receive legitimate discounts, rebates, or credits from a distributor, they need to be taken directly off the invoice which can serve as your documentation.
General Procurement Requirements and Laws and Policy Memos
Applicable to the Child Nutrition Program and Cooperative Purchasing Groups

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<tr>
<th>General Procurement Requirements</th>
<th>Web Link</th>
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<td>7 CFR Part 220.16 School Breakfast Program (SBP)</td>
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<tr>
<td>SP0-01-2016</td>
<td>Procuring Local Meat, Poultry, Game, and Eggs for Child Nutrition Programs</td>
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Identify Inventory Management Best Practices Activity

Directions
1. Think of an inventory management practice that you have implemented in your district. Share with your group.
2. On an index card, write one inventory management practice.
3. Tape your card to the wall or on a flip chart (wherever instructor designates).
4. Walk around the room and read everyone’s practices.
5. Record inventory “best practices” on the lines below.

Identify Inventory Management Best Practices Activity

Example: Rotate stock using first-in-first-out.
References


United States Department of Agriculture. (2009, October 15). *Memorandum of understanding (MOU) between the department of agriculture (USDA) food and nutrition service (FNS) and the USDA agricultural marketing service (AMS) and the USDA food safety and inspection service (FSIS) and the department of commerce (USDC) and the national marine fisheries service (NMFS).* Retrieved from http://www.fns.usda.gov/cnd/cnlabeling/default.htm


