

Orientation to School Nutrition Management

Procurement and Inventory Management

Instructor's Manual

Time: 3 ½ hours



Institute of Child Nutrition
The University of Mississippi

USDA Professional Standards 2400, 2510
Key Area Operations

2017

Institute of Child Nutrition

The University of Mississippi

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PURPOSE

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.

This project has been funded at least in part with Federal funds from the U.S. Department of Agriculture, Food and Nutrition Service through an agreement with the Institute of Child Nutrition at The University of Mississippi. The contents of this publication do not necessarily reflect the views or policies of the U.S. Department of Agriculture, nor does mention of trade names, commercial products, or organizations imply endorsement by the U.S. government.

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Suggested Reference Citation:

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01/2017

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Background Information

Note to Instructor: The purpose of the background information section is to help you become familiar with the context of the lesson. It is not a part of the lesson detail.

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.

Role of the School Nutrition Director

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.

Source: *Competencies, Knowledge, and Skills for District-Level School Nutrition Professionals in the 21st Century* available on the ICN website:
<http://nfsmi.org/ResourceOverview.aspx?ID=284>

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.

Lessons-at-a-Glance

Time Allowed	Topic	Activit	Materials
15 minutes	<ul style="list-style-type: none"> • Introduction to Lesson 	<ul style="list-style-type: none"> • Review Objectives • Refer to Glossary 	<ul style="list-style-type: none"> • Name cards • Participant's Workbook
Objective 1: Identify the stakeholders in the school nutrition food chain.			
15 minutes	<ul style="list-style-type: none"> • School Nutrition Procurement Team • Distributors • Manufacturers • Brokers • USDA Foods • Stakeholders' Expectations • Stakeholders' Responsibilities 	<ul style="list-style-type: none"> • Discuss Stakeholders 	<ul style="list-style-type: none"> • Participant's Workbook • Stakeholders' Responsibilities Handout
Objective 2: Discuss procurement considerations of a well-planned menu.			
10 minutes	<ul style="list-style-type: none"> • Menus • Cycle Menus • SKU's • Standardized Recipes • Types of Products 		<ul style="list-style-type: none"> • Participant's Workbook
Objective 3: Recognize key information when forecasting menu items usage.			
15 minutes	<ul style="list-style-type: none"> • What does accurate forecasting include? • Velocity Reports • Past, Present, and Future 		<ul style="list-style-type: none"> • Participant's Workbook
15 minutes	<ul style="list-style-type: none"> • Past, Present, and Future Activity 	<ul style="list-style-type: none"> • Conduct Past, Present, and Future Activity 	<ul style="list-style-type: none"> • Flip chart paper and markers • Past, Present, and Future Handout
20 minutes	<ul style="list-style-type: none"> • Distinguished by Type of Products • Distributor's Choice • Private Label • Manufacturer's Brand 		<ul style="list-style-type: none"> • Participant's Workbook

Lessons-at-a-Glance

Time Allowed	Topic	Activity	Materials
Objective 4: Create a mock product description.			
25 minutes	<ul style="list-style-type: none"> • Key Information in Product Description • Bean Burrito Product Description Activity 	<ul style="list-style-type: none"> • Conduct Bean Burrito Product Description Activity 	<ul style="list-style-type: none"> • Key Information to Include in Product Description Specifications Handout • Mock Bean Burrito Product Description Activity Template Handout • Participant's Workbook
Objective 5: Identify various types of acceptable purchasing methods.			
20 minutes	<ul style="list-style-type: none"> • Procurement Methods • Informal • Formal • IFB • RFP • Fixed Price Contract • Cost Reimbursable Contract 		<ul style="list-style-type: none"> • Participant's Workbook • Competitive Procurement Handout
Objective 6: Identify ethical behaviors.			
15 minutes	<ul style="list-style-type: none"> • Ethics • Free and Open Competition • Supplier Relations • Gifts and Gratuities • Monetary Dealings • Legitimate Discounts, Rebates, or Credits • Conflicts of Interest • Confidentiality 	<ul style="list-style-type: none"> • Ethical Scenarios Activity 	<ul style="list-style-type: none"> • Participant's Workbook • Ethical Scenarios Handout

Lessons-at-a-Glance

Time Allowed	Topic	Activity	Materials
Objective 7: Identify federal procurement regulations, policies, and procedures governing all school nutrition program purchases.			
10 minutes	<ul style="list-style-type: none"> Free and Open Competition Brief Overview of Federal Regulations 		<ul style="list-style-type: none"> Participant's Workbook
Objective 8: Recognize general inventory management practices.			
20 minutes	<ul style="list-style-type: none"> Effective Inventory Practices Traceability Menu Planning and Inventory Par Stock First-In-First-Out Assess Current Inventories 		<ul style="list-style-type: none"> Participant's Workbook General Procurement Requirements and Laws and Policy Memos Applicable to the Child Nutrition Program and Cooperative Purchasing
10 minutes	<ul style="list-style-type: none"> Identify Inventory Management Practices 	<ul style="list-style-type: none"> Conduct Identify Inventory Management Practices Activity 	<ul style="list-style-type: none"> Identify Inventory Best Management Practices Handout Participant's Workbook
Wrap up			
20 minutes	<ul style="list-style-type: none"> Wrap Up Session Evaluation 	<ul style="list-style-type: none"> Questions and Answers Post-Assessment Conduct a short evaluation of the lesson 	<ul style="list-style-type: none"> Bike rack questions Lunch Meal Pattern Post Assessment Assessment Answers Session Evaluation Form Certificate
210 minutes = 3 hours 30 minutes			

Preparation Checklist

Instructions: The following tasks are necessary for presenting this lesson. Assign each task to a specific person and determine the date that each task must be completed. Keep track of the progress by recording information on the tracking form and checking off tasks as they are completed.

Task	Person Responsible	Completion Date	√
Reserve equipment and gather supplies as needed for use on the day of class (6 weeks prior). Instructor's Manual Roster of participants attending for instructor Participants' sign-in sheets List of equipment and supplies needed Microphone (preferably wireless) Computer to present slides and DVD Projector and screen Wireless presenter device and laser pointer Flip chart paper (self-adhesive strip sheets) Painters' tape (do not use masking tape) Markers (flip chart) Pens, pencils, note paper, highlighters, self-adhesive notes, page markers, index cards (each table) Name tags and table tents	Instructor		
Participant's Workbook Agenda, roster of presenters/participants, and handouts			
Evaluation (lessons and/or overall for each participant)			

Lesson Plan

SHOW SLIDE: *Orientation to School Nutrition Management Procurement and Inventory Management*

Note to Instructor: Have slide on screen as participants enter.

SAY:

Welcome to Procurement and Inventory Management, an orientation lesson for school nutrition directors. Locate the objectives near the front of your workbook for a planned outline of the topics we will cover in today's lesson. Procurement is a very complicated process. Today, we will provide an abridged overview of the procurement and inventory management process in this 3 ½ hour lesson.

SHOW SLIDE: *What is Procurement?*

SAY:

Procurement is a multi-step process for obtaining goods, products, and/or services at the best possible price. Proper planning before procuring a good or service is worthwhile and has a critical role in the district's ability to obtain the high-quality products and services needed at the lowest possible cost. Planning the procurement document for solicitation can be time-consuming; therefore, allocating the necessary time in the planning stage will enable the district to make more effective use of its resources and ensure the procurement is consistent with applicable laws. Adequate planning can also help to ensure competitive procurement. Planning the procurement means taking a systematic approach before releasing the solicitation.

SAY:

School Nutrition Programs (SNPs) are federally funded programs, and operation of such programs must comply with federal, state, and local guidelines. It is important to allow adequate time to complete the process as some states require all documents used in the bid solicitation process to be reviewed prior to the bid solicitation being sent out to prospective respondents and federal regulations require some contracts be reviewed by the state agency prior to execution.

ASK:

What are some considerations when procuring goods, products, or services?

DO:

Allow participants time to respond. Responses should include: the type of product, the quantity of product, number of deliveries per week, product descriptions, and the cost of the product.

SHOW SLIDE: Objectives 1-3**SAY:**

The objectives for this lesson include 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.

SHOW SLIDE: Objectives 4-6**SAY:**

4. Create a mock product description.
5. Identify various types of acceptable purchasing methods.
6. Identify ethical behaviors.

SHOW SLIDE: Objectives 7-8

SAY:

7. Identify federal procurement regulations, policies, and procedures governing all school nutrition program purchases.
8. Recognize general inventory management practices.

SHOW SLIDE: Glossary

SAY:

Throughout the lesson, we will be using terminology associated with procurement and inventory management.

DO:

Refer participants to the Glossary.

SAY:

As you can see, the glossary contains a comprehensive list of terms and definitions and will be an invaluable resource for reference. We will not cover all of these in today's lesson.

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 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-](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)

[idx?c=ecfr&sid=3ab3b64358512315f9684af1843bc32c&rgn=div5&view=text&node=7:15.1.7.2.6&idno=7](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)

SHOW SLIDE: Principles of Good Procurement

SAY:

All procurement transactions must be conducted in a manner that provides free and open competition consistent with procurement standards. Free and open competition means that all suppliers are playing on a level playing field and thereby have the same opportunity to compete. Fairness and integrity in all aspects of the procurement process are critical to achieving free and open competition. Competition requires the act of seeking responses from qualified suppliers be consistent with the size and nature of the procurement, and they are capable of meeting the terms and conditions of the contract.

Objective 1: Identify the stakeholders in the school nutrition food chain.

SHOW SLIDE: Stakeholders

SAY:

Procuring products often appears seamless to the customer when in reality it is a complicated process that requires **open** communication, unity, and dedication from all entities involved in the food supply chain. The school nutrition food supply chain includes the school nutrition procurement team, the distributor, the broker, the manufacturer, State agency, and the U.S. Department of Agriculture (USDA).

SHOW SLIDE: School Nutrition Procurement Team**SAY:**

School nutrition professionals are mandated to provide healthful school meals. Providing cost-effective, high-nutrient-value meals can be achieved with careful planning, preparation, and a strong commitment from the school district. The school district starts the process by creating a school nutrition procurement team and identifying the items to be purchased, and concludes the process by receiving high quality products from the distributor.

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; other school nutrition staff; the business manager; a procurement officer; and possibly the school board members.

SHOW SLIDE: The Distributor**SAY:**

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.

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.

SHOW SLIDE: The Broker

SAY:

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.

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.

SHOW SLIDE: The Manufacturer

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.

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.

SHOW SLIDE: State Agency**SAY:**

The State agency is responsible for administering Child Nutrition Programs, reviewing procurement procedures, reviewing and approving each contract (including supporting documentation) between a SFA and Food Service Management Company (FSMC), providing procurement updates and training, and is a point of contact for information concerning procurement questions.

SHOW SLIDE: The U.S. Department of Agriculture (USDA)**SAY:**

USDA's FNS oversees the administration of 15 nutrition assistance programs, including school meals programs that touch the lives of one in four Americans over the course of a year. These programs work together to form a national safety net against hunger. For information about FNS and nutrition assistance programs, the National School Lunch Program and the School Breakfast Program, which provide nutritionally balanced, lunches and breakfasts to millions of students every school day, visit the USDA FNS website which can be located at www.fns.usda.gov.

USDA Foods are available to any school that participates in a USDA SNP. USDA Foods account for 15-20 % of the foods in SNPs and are 100% American grown. It is critically important to determine during the planning stage how and when USDA Foods will be incorporated into the menu.

The quality and product expectations of USDA Foods have changed over the years. Improvements to USDA Foods keep pace with current nutrition and health advancements and coincide with the principles established in the Dietary Guidelines for Americans. USDA offers canned, frozen, fresh, dry, and refrigerated products; a variety of package sizes; and healthy new options that meet meal pattern requirements.

SHOW SLIDE: Stakeholders' Expectations

SAY:

Each stakeholder has a specific role in the food supply chain. The stakeholders expect each party to have some basic knowledge on the functionality of their operation.

Although the expectations may widely differ, a steadfast approach in providing a healthy school environment is a common goal of all stakeholders. It is important to quickly communicate a change in circumstances to the stakeholders impacted by the change.

Each stakeholder operates as an independent business, and each has specific sustainability goals. Understanding expectations in advance stimulates open communication and leads to desirable outcomes for the entire supply chain.

SHOW SLIDE: Stakeholders' Responsibilities Activity

DO:

Present the following two questions to the participants and allow them to provide a few responses to each and then explain the Stakeholders' Responsibilities Activity.

ASK:

What do distributors, manufacturers, brokers, and USDA expect from the school nutrition procurement team?

FEEDBACK:

Possible answers may include open and fair competition, accurate forecasts, and timely orders.

ASK:

What do the school nutrition procurement team, manufacturer, brokers, and USDA expect from the distributor?

FEEDBACK:

Possible answers may include good communication, safe and proper handling of products, fair pricing, and timely deliveries.

DO:**Activity: Stakeholder's Responsibilities**

INSTRUCTIONS: Divide the participants into six groups. Assign one of the following stakeholders to each group: the School Nutrition Procurement Team, Distributors, Brokers, the State agency, Manufacturers, and the U.S. Department of Agriculture (USDA). Ask each group to identify the responsibilities of their assigned stakeholder. Allow 5 minutes to complete the activity. At the conclusion of the activity ask participants to provide a few of the responsibilities for each stakeholder. Refer participants to the Handout: Stakeholders' Responsibilities in the Participant's Workbook.

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.

SAY:

I cannot emphasize enough the importance of working with each other in a way that allows everyone in the process to trust the others to be good partners. Communication and realizing that all parties have different needs is the key to success. Understanding the diversity of each of the stakeholders will help form better partnerships.

SAY:

Now that we have discussed the stakeholders' expectations and responsibilities, it is important to discuss the procurement considerations of a well-planned menu.

Objective 2: Discuss procurement considerations of a well-planned menu.**SHOW SLIDE: Menus****SAY:**

The menu is the driving force that begins the procurement process. The menu must meet all federal guidelines and be appealing to the customer. A well-planned menu includes: whole grain-rich foods; fresh fruits and vegetables; a variety of shapes, textures, colors, and temperatures; and a blend of flavors. Some other factors to consider in menu planning include: equipment, food cost, cultural food preferences, labor costs, skill levels, environmental friendliness; and the availability of USDA Foods.

ASK:

What are cycle menus?

DO:

Allow participants to provide responses. Conclude when you receive the response, "Menus that are repeated over a specified period of time."

ASK:

Does your district utilize cycle menus? If so, how long is the menu cycle? (Allow responses.)

SHOW SLIDE: Utilize Cycle Menus**SAY:**

The inclusion of cycle menus contributes to a more efficient procurement process. Cycle menus provide the opportunity to analyze menu items and determine similarities among recipes. Identifying similar menu items for different recipes can lead to a reduction of inventory and a cost savings. School nutrition staff should become familiar

with the standardized recipes and learn preparation efficiencies for producing a quality product.

It is good practice for districts to use a cycle menu for a designated period of time. Menus created by seasons allow for the opportunity to incorporate in-season options. Planning menus in advance saves time, helps avoid repetitive tasks, reduces labor, and implements cost-effective inventory management. Standardized recipes and Stock Keeping Units (SKUs) are important considerations when planning menus.

SHOW SLIDE: Stock Keeping Units (SKUs)

SAY:

Good menu planning also includes optimizing Stock Keeping Units. A SKU is a unique identifier for each unit of product. The SKU is often the product code number or a stock number. Think of all the menu items you can create with ground beef crumbles or grilled chicken patties. In many cases school districts burden themselves with too many different products or SKUs. For instance, each flavor of juice is a separate SKU with its own stock number. Too many SKUs equate to writing many different bid specifications and ensuring all items are properly received and inventoried. Reducing the number of SKUs is a best practice. This may be achieved by:

- eliminating menu items that sell less than 50 servings (25 servings per meal in a small school);
- using the same product for more than one menu item, such as one type of chicken patty for chicken on a bun, chicken parmesan, and grilled chicken salad; and
- allowing only substitutions that have been approved by the school nutrition director or central office person responsible for purchasing.

Identifying multiple uses for an inventory item is cost-efficient for both the district and the vendor.

SHOW SLIDE: Standardized Recipes**SAY:**

Standardized recipes are used to prepare menu items and identify the specific quantity for each ingredient, the number of servings, and the portion size for the 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.

SHOW SLIDE: Distinguish by Type of Products**SAY:**

The menu and standardized recipe will help to determine the type of product to purchase. Product categories include Distributor's Choice Label, Private Label, and Manufacturer's Brand Label. It is worthwhile to investigate all categories before making any decisions.

SHOW SLIDE: Distributor's Choice Label**SAY:****Distributor's Choice Label**

Products in this category contain only one or a few ingredients and represent a lower dollar volume. The supplier may quote a price on any brand, and the school district places no restrictions on the brands to be purchased. The supplier is not asked to identify the brand being quoted, and the site receiver does not check the brand delivered. Therefore, the distributor may change the brand without notifying the school district. The only requirement is that the product is in the pack and case size identified on the solicitation document. A case of pinto beans containing 12/#303 cans cannot be substituted if the specification calls for 6/#10 cans; 25 lbs. of salt specified may not be substituted for 100 lbs. or 10 lbs. of bulk product; a 50 lb. bag of sugar cannot be substituted with 2-25 lb. bags of sugar.

SHOW SLIDE: Private Label

SAY:

Private Label

Products in this category are packed under industry acceptable standards. The private label represents the supplier's brand. Many distributors have their own private label brand and prefer to sell it instead of brand name items. Again, although the supplier will choose the brand, it still must conform to the specification. In many cases, it is worth the task of tasting these products.

SHOW SLIDE: Manufacturer's Brand Label

SAY:

Manufacturer's Brand Label

Products in this category are recognized by name and generally attract customers who are loyal to their name. Manufacturer's brand products are usually your main entrees, whether for breakfast or lunch; contain multiple ingredients; and are processed. These are your menu drivers that meet your customer's expectation level. Your objective is to have the product available each time it is on the menu. This is what propels your average daily participation and keeps your customers returning.

These products are subject to tremendous variation in quality among brands. The increased use of processed products is making food more complex. As food becomes more complex and processed, more effort has to be devoted to quality control. The specifications must be clear that suppliers may bid on brand name "or approved equal" products to ensure maximum free and open competition. Schools cannot limit competition to a single manufacturer's product.

It is important to accurately predict and estimate the goods, products, and/or services needed in specified areas for the coming year. This is known as forecasting.

Objective 3: Recognize key information when forecasting menu items usage.**SHOW SLIDE: Forecasting****ASK:**

What does forecasting include? *(Encourage participants to provide a few responses.)*

SAY:

Forecasting is the process of analyzing current and historical data to determine future trends. In the case of SNPs, forecasting involves predicting and estimating the goods, products, and/or 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.

In financial management, we talk about using data and numbers to help manage the program. Forecasting is a concrete example of the importance of accurate record keeping.

SHOW SLIDE: Forecasting— Critical to Program**SAY:**

Accurate forecasting of products prior to issuing a solicitation is critical to your program. This helps ensure that only responsive manufacturers, processors, or distributors that can meet your needs will respond to the solicitation. Also, if the solicitation and resulting contract allows the SFA to place orders for goods, products, or services on a periodic basis, appropriate review of the current inventory will allow you to promptly order goods, products, or services necessary for the programs. Your customers trust that the items listed on the day's menu will be available when they visit your school nutrition program. Failure to meet these expectations has a negative impact on your program.

SHOW SLIDE: Forecasting— Stakeholders

SAY:

It is unrealistic to expect the awarded distributor or manufacturer to have products and quantities specific to your district readily available in their inventory. This becomes even more critical when forecasts are not available for proprietary products, those unique or manufactured strictly for your program, or for food items that are very perishable.

Forecasting a minimum of six weeks in advance is good practice and will allow the stakeholders of the food supply chain to adequately prepare and provide the forecasted quantity.

SHOW SLIDE: Average Daily Participation (ADP)

SAY:

School foodservice administrators must have accurate information about the average number of students who will participate in the school lunch and breakfast program on a daily basis. The average daily participation (ADP) is used to determine staffing needs, purchase food and supplies, and schedule food production. Knowing the average participation over a period of time can assist school foodservice administrators in making accurate forecasts.

Accurate forecasting provides critical and valuable information. This information benefits both the school district and potential distributors who are considering bidding on the items in the solicitation document.

In addition to ADP, school foodservice administrators must also consider student preferences and popularity of menu items.

SHOW SLIDE: Velocity Report

SAY:

A velocity report provides the quantity, the date of purchase, and other valuable

information about each item received. The report can serve as a tool for the SFA staff when forecasting the needs of the district and documents bid integrity. Upon request, the distributor can generate a velocity report for products purchased during a specific time period. Many distributors have online ordering systems that allow the SFA to produce a velocity report at any time.

With the ease in which products are now electronically tracked, distributors have the ability to quickly review what they have sold in the past against what was stated as a quantity. After one year's history, it is easy to see whether or not the quantities were accurately calculated estimates. If it is discovered that the quantities previously listed have not been closely met, distributors will know that quantities are inaccurate, and may result in significantly increased prices.

SHOW SLIDE: Forecasting USDA Foods

SAY:

Forecasting includes contemplating the use of USDA Foods. Many school districts have the ability to purchase ready-to-use end products made from USDA Foods. Ready-to-use end products allow for the use of USDA Foods in the final production of many mainstay menu items. By utilizing USDA Foods in the final product, there can be a cost savings to the district for high quality products. Check with the state food distribution agency to determine what is allowed before entering into a contract. Clarify state limitations on pricing structures and method of distribution of these items.

SHOW SLIDE: Bid Integrity

SAY:

The integrity of a bid is strengthened when time is spent developing good forecasts. Distributors can be confident that the items specified on the bid in the quantities listed are accurate to the best of the district's ability. With this knowledge, the distributor is willing to provide their most competitive pricing. Adequate forecasting is critical not only between district and distributor, but further along the supply chain to the manufacturer of the product. A manufacturer or distributor does not want to maintain too much inventory

for fear the inventory will expire prior to the district being able to utilize the quantities on hand.

SHOW SLIDE: Past, Present, and Future Activity

SAY:

Establishing valid forecasts requires reflection on the past, consideration of present conditions, and speculation as to the future. Some considerations include: student preferences; revenue from the previous year; the current inventory; the upcoming year's menu; the likely cost of labor, goods, products, or services in the coming year (season); the number and ages of the students being served throughout the school year; and relevance of the last solicitation document.

DO:

(Workbook Activity) Past, Present, and Future

INSTRUCTIONS: Divide the participants into teams of 4-5 members. Assign one of the following topics: "The Past," "The Present," and "The Future". Ask each team to identify what questions they would need to ask to acquire the information needed to accurately forecast menu items for the upcoming school year for their particular topic. Encourage participants to write their responses on flip chart paper. Allow 5 minutes to complete the activity. Allow each group 1-2 minutes to report at the end of the activity. Refer participants to the Participant's Workbook in which they will find the Forecasting—Past, Present, and Future Handout.

Forecasting—Past, Present, and Future Handout

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 menued?
- For what grade levels is the item menued?
- 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 menued 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 menued 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?

Objective 4: Create a mock product description.

SHOW SLIDE: Writing Product Descriptions

SAY:

Writing specifications can be difficult and time consuming because the descriptions are often long and very detailed. But in some cases, the specification can be limited to only those characteristics that are essential for communicating with the supplier, such as the Standard of Identity (SOI), quality grade, and size. Most single-ingredient foods, such as fresh produce or graded-meats, often only need a brief specification.

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 bid.

It is important to develop specifications that are not overly restrictive to competition. For example, specifying only a “brand name” product instead of allowing “an approved equal” product to be offered restricts free and open competition.

If you need some sample product descriptions there are many sources. Some products have SOI, and you can use the standard of identity in your product description. Some products have their own descriptions—for example—the meat packers have descriptions called IMPS.

SHOW SLIDE: Product Description

SAY:

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.

SHOW SLIDE: Case Pack and Weight

SAY:

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.

SHOW SLIDE: Minimum and Maximum Size and Pieces

SAY:

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. Another example is a serving of chicken nuggets should be 5 nuggets.

SHOW SLIDE: Main Ingredient(s)

SAY:

What are the main ingredients? Some possible descriptions for an enchilada may include: pinto beans, black beans, reduced fat cheese, and whole grain-rich tortilla.

SHOW SLIDE: Other Product Ingredients

SAY:

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.

SHOW SLIDE: Prohibited Ingredients

SAY:

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.

SHOW SLIDE: Nutritional Standards

SAY

What are the nutritional standards for the product? Are there minimum or maximum nutrient or ingredient requirements or limitations? Some possible descriptions may include limits on sodium, calories and fats.

SHOW SLIDE: Meal Pattern Requirements/CN Labels

SAY:

Do you want the product contain certain meal components? For example, you may specify 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.

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. However, they aren't always necessary.

SHOW SLIDE: Unit Award Is Made**SAY:**

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.

SHOW SLIDE: Quality Indicators**SAY:**

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.

SHOW SLIDE: Product Description Activity**DO:**

(Workbook Activity) Product Description Specifications Activity

Instructions: Refer participants to the Participant's Workbook in which they will find the Key Information to Include in Product Description Specifications Handout and the Mock Bean Burrito Product Description Activity Template Handout.

SAY:

You will need these handouts to complete the next activity. As a group, let's develop a product description for a bean burrito. As we discuss the possibilities, write notes on the Mock Bean Burrito Product Description Activity Template Handout.

Note to Instructor: If time permits, divide participants into small groups. Assign one description topic to each of the groups. Allow 5 minutes for the group to write a description for the assigned topic. Allow 30 seconds for each group to report their description.

DO:

At the conclusion of the activity, refer participants to the Participant's Workbook in which they will find the Mock Bean Burrito Product Description Example Handout. Remind participants the Mock Bean Burrito Product Description Example Handout is only an example and other product descriptions may better meet the needs of their district.

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.

Objective 5: Identify various types of acceptable purchasing methods.

SHOW SLIDE: Free and Open Competition

SAY:

Earlier we talked about the importance of trust among the partners in procurement. 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.

SHOW SLIDE: Why Is Competition Important?

SAY:

Competition is important to secure the best price for the best quality product or service. Businesses in a competitive environment continuously attempt to differentiate themselves, not only in terms of price, but also in terms of services and innovation. For example, a school food authority (SFA) is more likely to receive goods, products, or services at a lower price in a competitive environment than in a non-competitive one.

Remember these two things:

- The method of procurement used must be appropriate to a particular procurement action.
- All procurements, regardless of dollar value, must be competitive.

SHOW SLIDE: Competitive Procurement

SAY:

All procurements, regardless of dollar value, must be competitive, unless requirements to conduct a noncompetitive requirement are met. Noncompetitive requirements such as emergency contracts or sole source contracts are rare and must meet the criteria for noncompetitive procurement as outlined in the governing regulations. The method of procurement used must be appropriate to a particular procurement action. The SFA must decide if the procurement will be informally (i.e., small purchases) or formally (i.e.,

IFB or RFQ) solicited.

SHOW SLIDE: Small Purchases

SAY:

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.

Competition must occur whether the procurement exceeds or falls below the federal small purchase threshold, currently set at \$150,000. State and local regulations often set lower small purchase thresholds which are more restrictive than the federal level. The SFA is not required to use the small purchase method even if the value of the procurement falls below the applicable small purchase threshold; it can opt to use either the small purchase method or a formal procurement method.

SHOW SLIDE: Small Purchases— Good Practices

SAY:

Once the written informal solicitation document has been developed, the next step is to contact the sources of supply. What constitutes an adequate number of sources? Clearly, the lower the anticipated dollar value of the procurement, the less critical the answer will be, but a minimum of two sources should always be contacted. It is a good practice to obtain in writing three sources that are eligible, able, and willing to provide the product, goods, and/or services.

SHOW SLIDE: Keep in Mind...

SAY:

The law prohibits breaking up bids to smaller units (keeping individual purchases under the small purchase threshold) in order to avoid the competitive sealed bidding process.

SHOW SLIDE: Some Items are Often Bid Separately

SAY:

There may be instances in which a specific market supports the need to separate certain products from the overall procurement. For example, milk and bread are commonly procured separately because there are fundamental differences between them and other food products (i.e., shorter shelf-life, specialized pricing mechanisms, and durability).

Similarly, an SFA may find that fresh produce may be considered a separate market given that it shares similar characteristics as bread and milk and may want to separate this procurement from their overall food procurement. Another example: if an SFA is participating in an activity such as a “Harvest Week” for their school lunch programs in which they are trying out new vegetables and it is necessary to procure specific food items, it may make sense for the SFA to conduct a separate procurement for those specific products.

SHOW SLIDE: Invitation for Bid (IFB)

SAY:

An Invitation for Bid (IFB) is used in formal procurements. An IFB is a type of solicitation document used in competitive sealed bidding in which the primary consideration is cost and the expectation is that competitive bids will be received and an acceptance (award) will be made to the responsive and responsible respondent whose publicly opened bid is lowest in price. An IFB is used when there is no substantive difference among the products or services that meet specifications and the key difference among responsive bids is price.

SHOW SLIDE: Request for Proposal (RFP)**SAY:**

A Request for Proposal (RFP) is also a type of competitive procuring method. Request for Proposal is a technical proposal that explains how the prospective vendor will meet the objectives of the solicitation document. RFPs include a cost element that identifies the costs to accomplish the technical proposal.

The RFP identifies the goods, products, and/or services needed, and all significant evaluation factors. An objective evaluation with measurable outcomes should be developed in advance by the school nutrition staff. Including the evaluation criteria in the solicitation document allows vendors to know in advance how the contract will be awarded.

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 contract award for the RFP is granted on lowest price after an evaluation of both technical and cost factors, and after potential negotiation.

The RFP is publicized and is used to solicit proposals from a number of sources.

SHOW SLIDE: Two Elements in Responses to RFPs**SAY:**

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. Since the SFA staff does not know precisely how the task can best be performed, the technical proposals are as important to the purchaser as the cost proposals. The RFP will ask respondents to identify how they will accomplish the requested services. The RFP describes the SFA's specifications and requirements for the goods, products, and/or services being sought, and any other

conditions that respondents must meet in order to be considered responsive and responsible.

SHOW SLIDE: Competitive Procurement Activity

DO:

(Workbook Activity) Competitive Procurement Activity

Instructions: Divide the participants into small groups. Refer participants to the Participant's Workbook in which they will find the Competitive Procurement Handout. Ask the participants to determine a scenario when it would be appropriate to use a small purchasing, and IFB, and an RFP procurement method. Allow a few minutes to complete the activity. Ask the participants to briefly report on their scenarios.

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.

SHOW SLIDE: Contracts**ASK:**

Do all procurements result in the same type of contract?

SAY:

No. For IFBs and RFPs procurement methods, an SFA must decide if their solicitation will result in a Fixed Price Contract (IFBs and RFPs) or a Cost Reimbursable Contract (only RFP).

SHOW SLIDE: Fixed Price Contract**SAY:**

Fixed fee or fixed price means an agreed upon amount that is fixed at the inception of the contract. There are several types of fixed fee or price contracts. A firm fixed price contract provides a stated price that is fixed without any upward or downward adjustment for the duration of the contract, including for all renewal periods. In some cases, a fixed price contract may contain an economic price adjustment tied to an appropriate index such as milk. A fixed fee contract provides the maximum incentives for the contractor to control costs, perform effectively, and impose the least administrative burden on the contracting parties.

SHOW SLIDE: Benefits of Fixed Price Contract**SAY:**

A fixed price contract provides a stated price that is fixed without any upward or downward adjustment for the duration of the contract, including all renewal periods. Since the prices are firm and do not change, the distributor assumes greater risk the longer this type of pricing is in effect, and the price will generally be higher than a pricing system based on changing prices. A fixed price contract provides maximum incentives for a vendor to control costs and perform effectively and imposes the least administrative burden on the contracting parties. Competitive sealed solicitations (i.e., IFB) must result in a fixed price contract.

SHOW SLIDE: Cost Reimbursable Contract

SAY:

A cost reimbursable contract is a formal, legally enforceable contract that reimburses the contractor for costs incurred under the contract but does not provide for any other payment to the contractor, with or without a fixed fee. In a cost reimbursable contract, allowable costs will be paid from the nonprofit school nutrition service account to the contractor net of all discounts, rebates, and other applicable credits accruing to or received by the contractor. Additionally, this rule requires contractors to provide sufficient information to permit the school food authority to identify allowable and unallowable costs and the amount of all such discounts, rebates, and credits on invoices and bills presented for payment to the school food authority. This type of contract is appropriate to use when uncertainties involved in a contract's performance will not allow cost to be estimated with enough accuracy to use fixed contract pricing. Cost reimbursable contracts frequently occur in the school nutrition program as cost plus fixed fee contracts. Solicitations that result in a cost reimbursable contract or contract that includes cost reimbursable provisions must require the return of rebates, discounts, and other applicable credits.

SHOW SLIDE: Procurement Trivia Question

ASK:

Why are cost plus a percentage of cost contracts not allowed? *(Allow responses.)*

SAY:

The percentage mark-up is added to the cost of the product which is not fixed but changes over the term of the contract. In this type of pricing structure, the contractor is rewarded for increased costs and therefore has no incentive to keep the prices low. SFA's contract with a contractor is fixed price for the products for the entire term (12 months) of the contract with a fixed fee for delivery and service expressed as a percentage of the product.

Objective 6: Identify ethical behaviors.**SHOW SLIDE: Ethics****SAY:**

Regardless of the type of procurement method, school nutrition professionals have a responsibility to act ethically in accordance with all federal, state, and local guidelines. It is an ethical obligation to procure the quantity of products that you have requested from a stakeholder. It is important all stakeholders in the school nutrition supply chain practice ethical behaviors. Federal guidelines mandate procurements must be competitive. This is the responsibility of all stakeholders.

In general, 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. Professional standards of conduct include avoiding even the perception of unethical practices. Accurate documentation is important to demonstrate compliance with the contractual terms and the district's policies.

Ethical violations in the workplace are a serious matter. For school nutrition professionals, unethical actions can be cause for termination and loss of funding for their program. Unethical practices can damage an employee's reputation and the reputation of the district. In some cases, ethical violations could even result in legal ramifications or prosecution.

SHOW SLIDE: Supplier Relationships

SAY:

Appropriate supplier relations include:

- establishing and understanding the parameters,
- attending supplier-hosted events —no obligation, and
- the impression of impropriety.

SHOW SLIDE: Gifts and Gratuities

SAY:

A gift is anything of monetary value, including food, meals, travel, or entertainment.

Some districts have very specific policies pertaining to accepting gifts and gratuities. If there is a doubt then do not accept the gift.

SHOW SLIDE: Monetary Dealings

SAY:

Soliciting or accepting money, loans, credits, prejudicial discounts, or services from vendors or potential vendors is an unethical practice. Remember, never lend money to or borrow money from suppliers!

SHOW SLIDE: Legitimate Discounts, Rebates, or Credits

SAY:

Sometimes a legitimate discount, rebate, or credit will be provided for a specific product.

A discount, credit or rebate cannot offset expenses and act as a purchasing incentive. Discounts rebates and credits need to be taken directly off the invoice which can serve as your documentation.

SHOW SLIDE: Ethical Situations Activity

DO:

Read the next four slides and discuss each scenario with participants. Ask participants to discuss in small groups and comment as to why each scenario is or is not ethical. At the end of the activity, refer participants to the Participant's Workbook in which they will find the Ethical Scenarios Answer Handout. Review the correct answers.

SHOW SLIDE: Supplier Relations: Is This Ethical?

SAY:

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. *(Allow the participants to respond.)*

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.

SHOW SLIDE: Gifts and Gratuities: Is This Ethical?

SAY:

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.
(Allow the participants to respond.)

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.

SHOW SLIDE: Monetary Dealings: Is This Ethical?

SAY:

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.

SHOW SLIDE: Legitimate Discounts, Rebates, or Credits: Is This Ethical?

SAY:

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.

SHOW SLIDE: Conflicts of Interest

SAY:

Sometimes circumstances may arise that create a personal or professional 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. A conflict of interest occurs when the individual involved in the decision making process or someone close to this individual benefits by signing the contract. In this situation, any individuals involved in the conflict of interest should excuse themselves from the selection process.

SAY:

The following are some examples of what may be perceived as a conflict of interest for individuals in the decision making process.

- The company bidding on a contract with your school district is owned by your personal friend, relative, or school board member.
- You own stock in the company.
- Your friend or relative is an employee at the company in a position where they would profit from gaining the contract.

SHOW SLIDE: Confidentiality

SAY:

Providing confidential information of any kind to any person or entity that was not designated to be privy to that information is considered unethical. For example, before contracts are awarded, distributors submit sealed bids. The cost and pricing information in these bids may not be made public until after a decision has been made to award the contract. Also, during the bidding process, you may not disclose information about your school district to a company unless the same information is given to all respondents. This information could give that company an unfair advantage in drafting its proposal.

Objective 7: Identify federal procurement regulations, policies, and procedures governing all school nutrition program purchases.

SHOW SLIDE: Where Do I Find the Requirements for Conducting Procurements?

SAY:

First you need to find out what the rules are and also who in your school food authority works on procuring other items for the schools. That person will be able to inform you of state or local laws which cover procurement. Remember that you must follow the provisions of the local, state or federal laws.

SAY:

For a list of federal procurement regulations, laws, and policy memos refer to “General Procurement Requirements and Laws and Policy Memos Applicable to the Child Nutrition Program and Cooperative Purchasing Groups” in the Participant’s Workbook. The federal laws of particular interest for school nutrition procurement are:

- 2 CFR Part 200
- NSLP: 7 CFR 210.21
- SBP: 7 CFR 220.16

SAY: Please note that 2 CFR Part 200 replaces the former 7 CFR Parts 3016 and 3019 and various OMB Circulars. The new guidance is located in Title 2 of the Code of Federal Regulations.

**General Procurement Requirements and Laws and Policy Memos
Applicable to the Child Nutrition Program and Cooperative
Purchasing Groups**

General Procurement Requirements	
Regulation	Web Link
7 CFR Part 210.16 Food Service Management Companies	http://ecfr.gpoaccess.gov
7 CFR Part 210.21 National School Lunch Program	http://ecfr.gpoaccess.gov
7 CFR Part 215.14a Special Milk Program for Children	http://ecfr.gpoaccess.gov
7 CFR Part 220.16 School Breakfast Program (SBP)	http://ecfr.gpoaccess.gov
2 CFR Part 200 Replaces 7 CFR Parts 3016, 3019, and 3052 and the cost principles in 2 CFR Parts 220 (A-21), 225 (A-87) and 230 (A-122)	http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
Laws and Policy Memos Applicable to the Child Nutrition Program and Cooperative Purchasing Groups	
Regulation	Web Link
USDA Policy Memo Code: SP-18-2011, "Procurement Geographic Preference Q&As" February 1, 2011 And USDA Policy Memo Code: SP- 03-2013, "Procurement Geographic Preference Q&As" Part 11 October 9, 2012	http://www.fns.usda.gov/cnd/Governance/Policy-Memos/2011/SP18-2011_os.pdf http://www.fns.usda.gov/cnd/governance/Policy-Memos/2013/SP03_CACFP02_SFSP02-2013os.pdf

USDA Policy Memo Code: SP- 1-2013, "Federal Small Purchase Threshold Adjustment" October 2, 2012	http://www.fns.usda.gov/cnd/care/Regs-Policy/policymemo/2013/SP01_CACFP01_SFS P01-2013.pdf
USDA Policy Memo Code: SP-12-2016, "Guidance on Competitive Procurement Standards for Program Operators"	https://www.fns.usda.gov/sites/default/files/cn/SP12_CACFP05_SFSP09-2016os.pdf
USDA Policy Memo Code: SP-30-2015, "Office of Management and Budget Super-Circular – 2 CFR Part 200"	https://www.fns.usda.gov/sites/default/files/cn/SP30_CACFP16_SFSP18-2015os.pdf
USDA Policy Memo Code: SP0-01-2016, "Procuring Local Meat, Poultry, Game, and Eggs for Child Nutrition Programs"	https://www.fns.usda.gov/sites/default/files/cn/SP01_CACFP%2001_SFSP01-2016os.pdf
USDA Policy Memo Code SP 02-2016 "Questions and Answers on the Transition to and Implementation of 2 CFR Part 200"	https://www.fns.usda.gov/sites/default/files/cn/SP02_CACFP02_SFSP02-2016os.pdf
USDA Policy Memo Code: SP 24-2016, "Compliance with and Enforcement of the Buy American Provision in the NSLP"	https://www.fns.usda.gov/sites/default/files/cn/SP24-2016os.pdf
USDA Policy Memo Code SP-05-2017, "Q&A: Purchasing Goods and Services Using Cooperative Agreements, Agents, and Third Party Services"	https://www.fns.usda.gov/sites/default/files/cn/SP05_CACFP03_SFSP02-2017os.pdf

Objective 8: Recognize general inventory management practices.

SHOW SLIDE: *Inventory Management*

SAY:

Inventory management is the value of food and supplies on hand, whether at the food preparation site or in a central warehouse facility.

SAY:

Inventory management has long been considered a critical component of a well-managed school nutrition program. According to a U.S. Department of Agriculture (USDA) cost study, 46% of school nutrition program revenue is spent on food. Controlling this prime cost has been the focus of classic inventory management practices. More recently, food safety and security issues have added a need for traceability or the ability for schools to track food products back to their source and track forward to the consumption or disposal of the product.

SHOW SLIDE: Traceability**SAY:**

Traceability or the ability to track food items back to their original source may be a new concept for employees in school nutrition programs. It encompasses recording delivery dates, delivery agent information, quantity, product codes, and lot numbers for items received by the school; it also includes the disposition of the product such as served date or disposed of date, as a minimum best practice.

Effective inventory management is essential for managing and controlling cost. This includes: effective receiving procedures, a system for accounting for items removed from inventory, effective counting of items in stock, and determining appropriate methods for calculating the financial value of the inventory.

There are several key steps in good inventory management.

SHOW SLIDE: Key Steps**SAY:**

The key steps for effective inventory management are:

- knowing your food needs;
- knowing where and how much food you have on hand;
- controlling waste, loss, and theft;
- and maintaining only as much as you need.

SHOW SLIDE: Activity

DO:

(Workbook Activity) Identify Inventory Management Best Practices Activity

Instructions: Review the directions for the Inventory Management Best Practices Activity. Facilitate the activity. Allow 10 minutes for participants to complete the activity. Allow an additional 10 minutes for discussion.

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.

SHOW SLIDE: **Key Step: Understanding How Much Food You Need**

SAY:

Many factors contribute to calculating the amount of food needed to purchase to equal the amount of food needed for a recipe or service. As Purchased (AP) and Edible Portion (EP) are key concepts to understand in inventory management:

- As Purchased (AP) refers to the weight of the product as it exists when purchased (e.g., pineapples are whole with skin and the top; whole turkeys have skin and bones).
- Edible Portion (EP) refers to the part of the product that can be consumed. Using EP conversion information is very important in determining the total amount of a product needed.

SAY:

There are many resources to help you in this process. The USDA is one. ICN is another.

SHOW SLIDE: **Food Buying Guide and Calculator**

SAY:

The Food Buying Guide for Child Nutrition Programs has all of the current information in one manual to help you buy the right type and amount of food and determine the specific contribution each food makes toward the meal pattern

requirements. It can be printed or referenced at this email address:

<http://www.fns.usda.gov/tn/resources/foodbuyingguide.html>

The online interactive Food Buying Guide Calculator for Child Nutrition Programs has individual calculators for each of the Meal Pattern components. It can be found on ICN's website at <http://fbg.theicn.org>

ASK:

What else does inventory management include?

DO:

Allow participants to provide a few responses. Responses should include: storage area organization, controlling waste, and theft and fraud prevention.

SHOW SLIDE: *Storage Area Organization*

SAY:

Storage areas should appropriately hold goods under proper conditions to assure quality and safety until time of use to prevent spoilage and loss.

SHOW SLIDE: *Controlling Waste*

SAY:

Some ways to control waste include:

- ordering only food needed for menu production,
- storing food properly,
- controlling portions,
- planning to utilize leftovers,
- surveying students to determine preference,
- presenting food in an appealing manner, and
- having coolers and freezers hooked to an alarm system.

SHOW SLIDE: Theft and Fraud Prevention**SAY:**

It is important to implement procedures to prevent customer, employee, and vendor theft and fraud.

ASK:

What measures do you take to prevent theft or fraud in your operation?

DO:

Allow participants to provide a few responses. Ensure the following are included: limiting the number of keys, placing surveillance cameras in the dining area, and not allowing employees to take home leftovers. Allowing employees to take home leftovers is unacceptable and is not an option in the school nutrition program.

SHOW SLIDE: Other Factors Affecting Inventory Management**SAY:**

Effective inventory control begins long before products are purchased. Effective menu planning and recipe development are the first steps in inventory management. Menu planning and recipe development should utilize a minimum of products while at the same time provide enough variety to maximize customer satisfaction and good nutrition. Procuring, forecasting, ordering, and receiving ensure that the right foods in the correct quantities arrive just in time for production. Storage practices keep food secure and minimize waste. Effective and efficient production and service practices ensure that customers consistently receive the foods they want that are freshly prepared and served in correct portions.

ASK:

What can increase food costs?

DO:

Allow responses. Responses should include: out of stocks, substitutions, product reformulation, unclear specifications, inaccurate forecasting on bids, under-ordering, and/or insufficient lead time for orders.

ASK:

What happens to inventory when the district nutrition office writes the menus and procures food items needed to produce the menus and then a change in menus occurs?

FEEDBACK:

- Partnership with distributor begins to dissolve
- Inventory is left on the shelf at the distributor
- Distributor out of stocks increase because orders are not predictable
- Students may be disappointed because they do not receive expected products – this leads to food leftover
- Accounting may have to request special permission from school board for products purchased that were not on the bid

SHOW SLIDE: Menu Planning

SAY:

As we just learned, a best practice is planning centralized cycle menus. If carefully planned, cycle menus can provide as much variety as menus planned each month and adjust for seasonal products. Planning a great menu is a timely task, but well worth the operational benefits. Cycle menus offer many advantages. It makes it easier to project the correct amount of product to order when you have a history of the previous production records. Cycle menus save time, control food and labor costs, reduce waste, and still allow menu planners to offer a variety of menu selections.

ASK:

In what way does menu planning affect inventory?

SAY:

- Plan and forecast what items are needed, the form of the items (fresh, frozen, canned), the total number of items needed, and how frequently the items are used.
- Inventory can build up for products not included on menus on a consistent basis.

SHOW SLIDE: Inventory Just-In-Time (JIT)**SAY:**

Erratic orders add to the cost of doing business. When products are delivered once a week or more often, it is called Just-in-Time (JIT) delivery. Advantages include reduced inventory, reduced costs, and reduced paperwork. It is important to manage food orders properly to minimize waste while also keeping storage capacity in mind.

Inventory is perishable and space is limited, making proper product management even more crucial. More frequent deliveries will be reflected in higher bid price of a product.

SHOW SLIDE: Par Stock**SAY:**

Maintaining a stable number of cases ordered is not nearly as important as ensuring the school nutrition team is ordering the correct amount. The best way to facilitate this is a properly formatted order sheet that includes an accurate par stock. A par stock is established through a thorough evaluation of product use over the amount of time between deliveries. For example, if you have weekly deliveries and know you use three cases of fresh, sliced onions a week, you would always want three cases of onions in inventory.

For high-use items with a long shelf life it is sometimes beneficial to keep an extra case on hand. The quantity to keep on hand would be reflected in the par stock number.

SHOW SLIDE: First-In-First-Out (FIFO)**SAY:**

The First-in-First-Out (FIFO) rotation system is the process of rotating the older product to the front and the newer items to the back of the shelf. Note that the age of the item is based on the manufacturer's pack date and not the date on the receipt. Food spoilage due to improper temperature control is another factor that raises the school nutrition service cost for the district. Sometimes a school district owns or leases warehouse

space. Warehouse operations increase the cost of managing inventory. Before making a decision about product movement, a school district must determine the cost of operating a warehouse and weigh this against the savings of being able to order in bulk and store extra inventory.

SHOW SLIDE: Assess Current Inventories and Orders On Hand

SAY:

Knowing the amount of inventory and orders on hand is not always as easy as it sounds. Inventory may be scattered throughout the schools, or in a number of district-owned warehouses. The school nutrition director may believe that he or she knows what should be in inventory, but projections of usage for a recent period may have been more or less than actual usage:

- if the director believes that the inventory of a particular item is lower than it actually is, he or she may spend money on items that could have been better used in other school food purchases.
- if the director believes there is more inventory on hand than there actually is, he or she may run out of an item that is critical to the food service.

For the busy school nutrition director to know what is on hand requires the district to have and use an up-to-date inventory tracking system. Clearly, having automated systems in place to assist in forecasting the district's needs will make this task much easier.

SHOW SLIDE: Thank You

DO:

Thank participants, and ask if there are any questions. Answer participant's questions.

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