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## Procurement Methods

- **Overview of All Procurement Methods**
- **Micro-Purchases (<http://dpi.wi.gov/school-nutrition/procurement/micro-purchases>)**
  - \*May be used when contract value is less than \$3,500
  - Must be compliant with 2 CFR § 200.67 and 2 CFR § 200.320(a)
  - Micro-Purchases Checklist (Coming Soon!)
- **Small Purchases**
  - Also known as 3 Bids and a Buy
  - Must be compliant with 2 CFR §200.320(b)
  - \*May be used when contract value is less than \$150,000
  - Small Purchases Checklist (Coming Soon!)
- **Sealed Bid**
  - Procurement tool used: Invitation for Bid (IFB)
  - \*Must be used when contract value is greater than \$150,000
  - Must be compliant with 2 CFR §200.320(c)
  - Sealed Bid Checklist (Coming Soon!)
- **Competitive Proposal**
  - Procurement tool used: Request for Proposal (RFP)
  - \*Must be used when contract value is greater than \$150,000
  - Must be compliant with 2 CFR §200.320(d)
  - Competitive Proposal Checklist (Coming Soon!)
- **Procurement by noncompetitive proposals**
  - Must be compliant with 2 CFR §200.320(f)
  - Competitive Proposal Checklist (Coming Soon!)
  - \*School may have different "simplified acquisition threshold" (i.e., \$3,500 maximum for micro-purchases or maximum \$150,000 for small purchases). If school has a lower simplified acquisition threshold, the school must use its simplified acquisition threshold for the above purchase methods.

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Overview of All Procurement Methods

Acquisition Thresholds School's thresholds may differ School must use lowest threshold.	Micro Purchase Acquisition Threshold USDA and DPI threshold = \$9,500 School's threshold = ?	Small Purchase Method 2 CFR §200.320(c) 3 Bids and Buy May be used when the value of the awarded contract is less than Simplified Acquisition Threshold	Simplified Acquisition Threshold USDA and DPI threshold = \$150,000 School's threshold = ?	Competitive Proposals 2 CFR §200.320(d) Request for Proposals (RFP) Must be used when the value of the awarded contract is more than Simplified Acquisition Threshold
<p><b>Procurement Method</b></p> <p><b>Federal Regulation</b></p> <p><b>Solicitation Tool</b> (Solicitation tool is used to solicit offers and award a contract to make purchase(s))</p> <p><b>Types of Contract Allowed</b> Warning: A cost plus a percentage of cost/income, however represented, cannot be incorporated into any procurement or awarded contract</p> <p><b>Soliciting Offers</b></p> <p><b>Solicitation Responses</b> (types of offers)</p> <p><b>Offeror must be "Responsible"</b> Offeror (company submitting the pricing, bid, or proposal) must be able and willing to provide goods and services as described in the solicitation including all terms and conditions.</p> <p><b>Offer must be "Responsive"</b> -Offer must be for goods and services as described in the solicitation including all terms and conditions. -Any offer less than what is required is considered non-responsive and not allowed. -Any offer in excess of what is requested is overly responsive and not allowed.</p> <p><b>Public Notice</b> (example: Newspaper Advertisement)</p> <p><b>Due date for solicitation responses</b></p> <p><b>Public Opening</b></p> <p><b>Basis of Contract Awarded</b></p>	<p><b>Micro Purchase Method</b> 2 CFR §200.320(a) Simple Purchase May be used for a purchase costing less than the Micro Purchase Acquisition Threshold</p> <p>Fixed Price Verbal or Written Pricing (Verbal or Written)</p> <p>Required</p> <p>Required</p> <p>Not Applicable Not Applicable Not Applicable Reasonable Price</p> <p>To the extent practicable, the school must distribute micro purchases equitably among qualified suppliers.</p> <p>Required</p> <p>Required</p> <p>Not Applicable</p> <p>Required</p> <p>Required</p> <p>School should review; Requirements vary depending on value of the awarded contract</p>	<p><b>Small Purchase Method</b> 2 CFR §200.320(c) 3 Bids and Buy May be used when the value of the awarded contract is less than Simplified Acquisition Threshold</p> <p>Fixed Price Verbal or Written Bids (Verbal or Written)</p> <p>Required</p> <p>Required</p> <p>Optional Optional Optional</p> <p>Lowest Bid</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>School should review; Requirements vary depending on value of the awarded contract</p>	<p><b>Simplified Acquisition Threshold</b> 2 CFR §200.320(d) Invitation for Bid (IFB) Must be used when the value of the awarded contract is more than Simplified Acquisition Threshold</p> <p>Fixed Price Written Bids (Written (Sealed))</p> <p>Required</p> <p>Required</p> <p>Required Required Required</p> <p>Lowest Bid</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>School should review; Requirements vary depending on value of the awarded contract</p>	<p><b>Competitive Proposals</b> 2 CFR §200.320(d) Request for Proposals (RFP) Must be used when the value of the awarded contract is more than Simplified Acquisition Threshold</p> <p>Fixed Price or Written Proposals (Written (Sealed))</p> <p>Required</p> <p>Required</p> <p>Required Optional</p> <p>Highest Scoring Proposal</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>Required</p> <p>School should review; Requirements vary depending on value of the awarded contract</p>

**Other Procurement and Contracting Requirements:**

- Procurement Plan and Procedures**  
- School must maintain written policies and procedures over procurement that meets the following standards and any other applicable laws and regulations:  
- Costs incurred must be necessary and cost-effective.  
- All procurement transactions must provide full and open competition  
- The school must maintain written standards of conduct covering conflicts of interest  
- The school must maintain documentation addressing cost and price analysis and vendor selection, as applicable for selected method of procurement.
- Conflicts of Interest**  
Written standards of conduct covering conflicts of interest and governing the actions of school employees engaged in the selection, award and administration of contracts.
- Full and Open Competition**  
All procurement transactions, including small purchases, must be conducted in a manner that maximizes free and open competition. This means that all suppliers are "playing on a level playing field" and have the same opportunity to compete. Procurement procedures must not unduly restrict competition or eliminate competition.
- Documentation**  
A school is required to keep written documentation of all procurement events.
- Procurement Records**  
A school must retain procurement and contract records for at least three years from the date the contract ended and after all other pending matters such as payments and audits are closed out.
- Adherence to Awarded Contract**  
School must adhere to the terms and pricing of the awarded contract, only changes as described in the awarded contract are allowed. Material changes are not allowed. A school should be ready to provide records and proof that all terms and pricing received as a result of the procurement and used to award a contract were followed in the approved manner.
- Appendix II to Part 200**  
Additional contract provisions for school contracts



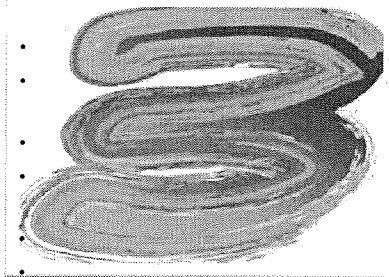
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## Informal Procurement Method "Three bids and a buy"

### Informal Procurement Method "Three bids and a buy"

#### Quick Links:



[Introduction to "Informal Procurement Method"](#)

[How to determine if the value of a contract or purchase is less than the small purchase threshold](#)

[Requirement for Informal Procurement Method](#)

[How to use the Informal Procurement Method, a.k.a. 3 bids and a buy in seven steps](#)

[3 Bids and a Buy Template](#)

[Informal Procurement Method Checklist](#)

### Introduction to "Informal Procurement Method"

What is the "Informal Procurement Method"?

The Informal Procurement Method is the procurement method used when the value of an awarded contract or purchase is less than \$150,000. This \$150,000 value is called the "small purchase threshold".

Informal Procurement Method (a.k.a. small purchase method or 3 Bids and a Buy) requires:

- The use of a solicitation (verbal or physical document)
- Competition (i.e. minimum of three price quotes)
- Must be free of anti-competitive practices.
- Procurement process must be documented

When using an Informal Procurement Method schools have a lot more flexibility in how they solicit bids from vendors.

- No public notice requirement
- No closed bid requirement (do not share price quotes during the solicitation process)
- No public opening requirement

### How to determine if the value of a contract or purchase is less than the small purchase threshold

When determining if the value of a contract or purchase is less than the small purchase threshold, note that the value of the contract or purchase is not a collective of different awarded contracts or purchases made by the school.

When determining the value of the contract or purchase, estimate the value based on individual contracts or purchases.

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

### **Requirement for Informal Procurement Method**

The Informal Procurement Method must:

- be conducted in a manner that maximizes full and open competition [7 CFR Part 3016.36(c)(1)];
- be awarded only to responsible contractors with the ability to perform successfully [7 CFR Part 3016.36(b)(8)]; and
- not be awarded on the basis of a cost plus percentage of cost or percentage of contract (7 CFR Part 3016.36).

With the Informal Procurement Method, all of the information relating to the solicitation and selection of a vendor must be maintained according to record retention requirements.

This information includes:

- copies of solicitation documents;
- copies of any letters, E-mails, or data faxes relating to the procurement;
- names and dates of vendors contacted by phone, and reports on the results of meetings when the contacts were made in person;
- copies of price or rate quotations received;
- notification of the successful vendor; and
- any other documents (invoices, canceled checks, etc.) relating to the purchase.

Retaining this documentation will provide a clear record of the school's actions during the procurement, and will allow the DPI to determine whether full and open competition has occurred.

### **How to use the Informal Procurement Method, a.k.a. 3 bids and a buy in seven steps**

#### **Step 1 – Pre-Bid Instructions**

- Over the school year talk to prospective vendors to see what kinds of products they offer and who to contact in the future when you need quotes on pricing.
- Schools will want to seek out enough vendors to ensure they can get pricing from at least three vendors.
- Build quality business relationships with the vendors
- By building these vendor relationships over the school year, you will have a better understanding about what is available in the market and it will reduce the time it takes to conduct a competitive procurement

#### **Step 2 – Planning your procurement**

- Draft your solicitation document
- Write down the product specifications in a purchase log
- Write down any other requirement for the procurement such as delivery requirements or payment and invoicing method

#### **Step 3 – Starting the solicitation process**

- Contact vendors (by phone, email, fax, in person, or mail) and
- provide them with written product specifications, or
- If calling, read off the written specification from your purchase log.
- The goal is to provide the exact language to each vendor.
- If when contacting vendors, specification vary just a little bit, this can cause vendors to provide pricing quotes too high or too low.
- School should always use caution when verbally communicating specification and details of the solicitation.
- Write communication is preferred but not required.

#### **Step 4 – Document vendor responses:**

- Write down in your purchase log or other journal the;

- Vendor Name,
- Contact Method,
- Name of person providing the price quote,
- The price quoted,
- Date price quote was obtained and
- Duration of price quote (note it is recommended for school dictate this to the vendor to ensure constancy in how long the price quote is valid)

**Step 5 – Obtain price quotes from at least three vendors (i.e. “Three bids and a buy”)**

**Step 6 – Award the contract/purchase to the most responsive and responsible vendor with the lowest price.**

What is a responsive and responsible vendor?

- A “*responsive offeror*” is able to meet the requirements of the solicitation
- A “*responsible offeror*” is willing and capable of furnishing the goods or services solicited.

**Step 7 – Monitor invoices and products to insure that bid prices, product quantity and quality are being honored**

- Monitor invoices, product quantity and quality on a consistent basis
- Sign off on purchases only after they have been fully inspected
- Product not matching specifications provided in bid should be returned or exchanged.
- Note returns or exchanges for future vendor evaluation
  
- Audit invoices and confirm that prices match what was quoted during the purchasing process.
- Variances should be corrected
- Note variances for future vendor evaluation

### **Resources**

- [3 Bids and a Buy Template \(sample template with instructions\)](#)
- [Informal Procurement Method Checklist](#)

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*For questions about this information, contact [Angela Paul \(http://dpi.wi.gov/user/970/contact\)](http://dpi.wi.gov/user/970/contact) (608) 267-9206*



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