



Procurement, Contracting & Materials Management

PURCHASING PROCEDURES MANUAL

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GENERAL TERMS AND DEFINITIONS

I. BIDS

- a. Procurement Definition** - To define procurement broadly, “Procurement” is the overarching function that describes the activities and processes to acquire goods and services. Importantly, and distinct from “purchasing”, procurement involves the activities involved in establishing fundamental requirements, sourcing activities such as market research and vendor evaluation and negotiation of contracts. It can also include the purchasing activities required to order and receive goods.
- b. Purchasing Definition** - The term “Purchasing” refers to the process of ordering and receiving goods and services. It is a subset of the wider procurement process. Generally, purchasing refers to the process involved in ordering goods such as request, approval, creation of a purchase order record (a Purchase Order or P.O.) and the receipting of goods.
- c. Formal Sealed Competitive Bid** – A formal bid is defined as a sealed bid with the title, date and hour of the public opening designated. It shall include printed instructions prescribing all general rules, regulations and conditions for bidding, and provides for a manual signature of an authorized representative. This type solicitation is typically required for acquisitions of \$50,000 or more, and used for requests in the dollar value of \$25,000 - \$49,999.99. “Formal Bid” and “Competitive Sealed Bid” are terms generally used interchangeably.
- d. Invitation to bid (ITB)** —The invitation to bid shall be used when the agency is capable of specifically defining the scope of work for which a contractual service is required or when the agency is capable of establishing precise specifications defining the actual commodity or group of commodities required. All invitations to bid must include: (a) A detailed description of the commodities or contractual services sought; and (b) If the agency contemplates renewal of the contract, a statement to that effect. Bids submitted in response to an invitation to bid in which the agency contemplates renewal of the contract must include the price for each year for which the contract may be renewed. Evaluation of bids must include consideration of the total cost for each year of the contract, including renewal years, as submitted by the vendor. The contract shall be awarded to the responsible and responsive vendor who submits the lowest responsive bid.
- e. Request for Proposal (RFP)** - Document used in sealed-bid procurement procedures through which a purchaser advises the potential suppliers of (1) statement and scope of work, (2) specifications, (3) schedules or timelines, (4) contract type, (5) data requirements, (6) terms and conditions, (7) description of goods and/or services to be procured, (8) general criteria used in evaluation procedure, (9) special contractual requirements, (10) technical goals, (11) instructions for preparation of technical, management, and/or cost proposals.

RFPs are publicly advertised and suppliers respond with a detailed proposal, not with only a price quotation.

- f. **Request for Quotation (RFQ)** – A RFQ is defined as a written request by the Purchasing Department for 3 or more quotations for a requested good or service. RFQs can be in the form of a sealed competitive bid or other written format determined most advantageous to the district.
- g. **Invitation to Negotiate (ITN)** - The invitation to negotiate is a solicitation used by an agency which is intended to determine the best method for achieving a specific goal or solving a particular problem and identifies one or more responsive vendors with which the agency may negotiate in order to receive the best value.
- h. **Informal Quotes** – An informal quote is defined as either a written, facsimile, email, or verbal quotation not requiring a formal public opening at a specific time or date. Typically, informal quotes are solicited for purchases in the dollar value of \$12,500 - \$29,999.99.
- i. **Definite Quantity Bid** – A bid in which the vendor(s) agrees to furnish a specific quantity on a one-time basis.
- j. **Term Bid** – Indefinite quantity bid whereby a vendor(s) furnishes an item or items during a prescribed period of time (such as 3, 6, 9, 12 months or until a specified date). The specific period of elapsed time or date completes such contract.
- k. **Competitive Bids** – Competitive bids shall mean three or more valid responses to a formal bid invitation or any other solicitation. (Do not confuse with “Competitive Sealed Bids”).
- l. **Valid Bid** – A responsible offer in full compliance with the bid specifications and conditions.
- m. **Identical (tie) Bids** – In the case of identical valid bids, the recommendation shall be made for local vendor, or, if there is none, to the vendor who has had the best performance record, or by casting lots (e.g. coin toss).
- n. **Small Purchases (up to \$12,499.99* (or \$10,000.00 Federal MPT))** Goods and services under \$12,499.99** are purchased on the open market. The superintendent has the authority to make these purchases in the District’s best interest. Small purchases may be made using published pricing taking into consideration any known discounts, special promotions, etc., or may be made using the informal bid process unless the purchase is exempted from bidding by law, rule, or School Board Policy. Informal bids may be obtained in writing, verbally, by facsimile, by email, or by telephone followed by written confirmation. Small purchases require the approval of the CFO, or, the GM of Purchasing, or the Purchasing Agent. The District’s purchasing card is encouraged for all expenditures as outlined in the Purchasing Card User’s Manual. (** Whereas Federally Funded Expenditures are utilized, small purchases are considered Micro-Purchase Threshold (MPT) and shall be less than \$10,000.00. If using Federal funds, the then

current Federal Uniform Guidance requirements shall be utilized. No local preference shall be granted in determining vendor award.)

II. BID INVITATIONS

- a. **Formal Sealed Competitive Bids Required** – Formal Competitive Sealed Bids (Formal Bids) are required for all purchases that exceed \$50,000, either cumulatively or on individual items, unless specifically exempted by State Board Rules or Board Policy. Generally, if the district has an expectation of spending \$50,000 or more on “like” items, competitive sealed bids will be required in accordance with Department of Education (DOE) rules and regulations, along with School Board policies. There is an exception when purchasing off a state or cooperative contract that was obtained through competitive solicitation. This is called piggybacking.
- b. **Legal Advertisements** – Legal advertisements will be placed at the discretion of the Purchasing Department based upon DOE rules and/or to enhance vendor competition.
- c. **Receipt of One Bid in the First Call of Bids** – When only one bid is received for the purchase of an item or group of items in the first call for bids, the GM of Purchasing shall review the bid in order to determine the reasons why only one bid was received. The GM of Purchasing may issue a second call for bids. If the Purchasing Department determines that a second call for bids would not be in the best interest of the School Board, the GM of Purchasing may award the bid, if within his authority by Board Policy, or may make a recommendation to the School Board considering the conditions and circumstances. Upon review, the School Board may authorize the purchase or require a second call for bids.
- d. **No Bid Received** – On the event no bids are received, or all bids are rejected, the School Board may authorize the GM of Purchasing to negotiate such purchase at the best possible price or request a re-bid.
- e. **Determination of Lowest and Best Bid** – It shall be the responsibility of the GM of Purchasing, with other invited and qualified staff personnel, to recommend the lowest and best responsible bidder meeting specifications and conditions of the bid invitation. In any case where the Purchasing Department makes a determination that it wishes to accept a bid other than the low bid, it shall document all reasons for not recommending the low bid.
- f. **Right to Reject Bids** – The School Board shall reserve the right to reject any or all bids and such reservation should be indicated in all advertising and bid invitations.
- g. **Notice of Award is Not an Order** – Issuance of a notice of award and/or tabulation results for which bids have been solicited does not constitute an order. Notice is given primarily to assist successful vendors in planning for the needs and

requirements of the District. Following notice, a Request for Purchase Order will be issued and this becomes the contract between both parties.

III. CONFLICT OF INTEREST

No Bay County School Board employee, acting in a private capacity, shall rent, lease or sell any realty, goods or services to the District. The Florida Commission on Ethics has ruled that one acts in a private capacity when he/she is an officer or director, or owns more than 5% of the business entity which is selling such goods or services. A conflict of interest may also exist if a spouse or close relative desires to rent, lease or sell to the District. See Board Policy Section 3.132.

IV. CONTRACTS AND AGREEMENTS

A purchase order, in itself, is a form of contract. A vendor (contractor) has offered to sell to the District a particular product or service at a particular price in accordance with the terms and conditions stated on the purchase order form. Typically, purchase orders are used to acquire commodities, but, they can also be used to procure simply defined services. A School or Department can use a purchase order to establish a contract for services if all of the pertinent information can conveniently fit onto the purchase order form. Most acquisitions of services, though, require a more formal agreement, which must be signed by signature authority of the District.

An agreement, or contract, is the only document that governs the performance of both the one doing the work (the Contractor) and the School or District. ***Attention to detail in contract formation is very important.*** In the contract language, you must clearly identify the following:

1. the parties to the contract
2. the date of the contract
3. the contract term, that is how long the contract will last (beginning and ending dates)
4. the statement of work (SOW)
5. the responsibilities of the Contractor and the School or District
6. the terms and conditions, including compensation amount and payment procedures
7. signatures of all parties

The Purchasing Department has developed a standard Services Agreement form that can be used for most any contract for services. The form is in Appendix II and can be

accessed online at <http://my.bayschools.net/Purchasing/Services%20Agreement-2pgs.doc>.

Keep in mind that School Board Policy 6.101 provide that *“All purchases made from District School funds shall be the responsibility of the Superintendent or the GM of Purchasing and No other person, unless authorized by the Superintendent or acting on the basis of School Board rules, may make any purchase involving the use of school funds.”* The policies go on to designate the General Manager of Purchasing, Executive Director of Business Support Services (CFO), the Deputy Superintendent, and the Purchasing Agent as others that can obligate the Board in the Superintendent’s and General Manager’s absence.

V. EMERGENCIES

An emergency purchase is defined as one brought about by a sudden unexpected turn of events (i.e. Acts of God, riot, fires, floods, accidents or any circumstances or cause beyond the control of the Cost Center Head in the normal conduct of its business) involving health, welfare, injury or loss to the District, and which can be rectified only by the immediate purchase of equipment, supplies, materials or services. When the School Board, Superintendent or Deputy Superintendent declares in writing, a situation to be an emergency, emergency bids and purchases can be made. The Superintendent will report such action taken at the next School Board meeting.

VI. LEASE AND LEASE-PURCHASES

- a. **Lease or Lease/Purchase Agreements** – All agreements or contracts that obligate the School District are to be forwarded to the GM of Purchasing for signature or obligation. The GM of Purchasing shall review the documents and advise the Cost Center of any changes or legal prohibitions.
- b. **Lease or Lease/Purchase Agreements that Exceed Twelve (12) Months** – Lease agreement may exceed a period of twelve (12) months; however, acquisitions by this method should be made subject to a clause granting option to cancel at the end of any one-year period. All agreements must be forwarded to the GM of Purchasing for signature or obligation.
- c. **Cancellation Clause** – Lease documents which contain no provisions for purchase or ownership must include a cancellation clause (without prejudice) of 30, 60 or 90 days, whichever is determined to be in the best interest of the District.

VII. PURCHASES

- a. A purchase is defined as an acquisition by contracting, in any manner, whether by rent, lease, lease-purchase or outright purchase, with a source of supply for commodities or for both goods and services. Within the meaning of this definition, the following are not purchases of goods:
1. Transfer, sale or exchange of property within the school system or other governmental agencies.
 2. Utilities
 3. Public communications, i.e., telephone and telegraph, electricity, etc.
 4. Postage
 5. Transportation of persons or things
 6. Professional services
 7. Services where no commodity is acquired
- b. **Information to be Furnished Regarding Purchase of Equipment** – The Cost Center Manager shall furnish the GM of Purchasing, in writing, full information relative to the proposed purchase. This information must include the quantity, make, year, model or type of equipment; also, whether or not it is a new installation.
- c. **In the Case of Trade-in** – The Cost Center Manager shall contact the Property Records Department for necessary forms to process trade-ins. Upon review, the GM of Purchasing may authorize the trade-in purchase or, authorize bids to be solicited for the equipment, subject to certain conditions.
- d. **Annual Purchase Agreements** – The GM of Purchasing may recommend, in writing, approval of annual purchase agreements for those goods purchased on a regular or continuing basis and which have been proven to be available from a single source.
- e. **Purchases Not to be Divided (Split Purchase Orders, “Pyramiding”, “Busting”)** – Under no circumstances shall purchase orders be split into smaller increments or multiple vendors for the purpose of circumventing rules, regulations, policies or procedures.
- f. **Single Source Purchases** – A single source commodity is defined as a product that is non-competitive in price and/or specification and is available only from one source of supply. Purchase of goods from a single source MAY be exempt from bid requirements, upon filing a statement by the Cost Center Head, stating the justification, conditions and circumstances requiring the particular purchase. This statement shall set forth the purpose and need, and why the item is the only one that will produce the desired results. Purchases made directly from the publisher, copyright holder, producer or an exclusive agent may fall into this category. Call the Purchasing Department when in doubt. The School Board must approve any single source purchases over \$50,000.

- g. Sources of Supply to be Certified to the Schools or Cost Centers** – After sources of supply have been established by contract or agreement by the Purchasing Department, they shall notify the Schools or Cost Centers, who should issue requisitions for all supplies or materials required by them from the established sources of supply so certified.
- h. Exceptions** – Authority to purchase from other than a contracted supplier may be requested by the Cost Center; the request must include information relative to the conditions and circumstances necessitating the change. Upon receipt of such requests, the Purchasing Department may or may not approve the purchase.
- i. Internal Accounts** – All purchases from internal accounts should be handled in the same manner as authorized purchased from District funds. Internal purchases totaling \$2,500 or more require approval of the Superintendent. For specific procedures, please see the Internal Accounts Procedures Manual.
- j. Direct Negotiations** – The purchase of computer hardware, software and certain other high technology items may be negotiated with the permission of the Board. Forward all information to the Purchasing Department.

NOTE: No Vendor who has assisted in crafting a specification or requirement definition may participate or bid on an RFP/RFQ related to that requirement. In assisting in the specification, the Vendor would be deemed to have unfair advantage over competition IAW F.S. 287.057.

NOTE: LOBBYING: School Board Policy, Chapter 6, IV. H. Lobbying School Board members or District personnel may result in rejection/disqualification of said solicitation. For purposes of this policy, “lobbying” is defined as any action taken by an individual, firm, association, joint venture, partnership, syndicate, corporation and all other groups who seek to influence the governmental decision of a Board member or District personnel after the release of the solicitation and prior to time that an award recommendation is posted. Communications with the Purchasing Department regarding clarifications of solicitation terms, conditions, or specifications will not be considered as “lobbying”.

GENERAL RESPONSIBILITIES

I. PRINCIPAL FUNCTIONS OF THE PURCHASING DEPARTMENT

- a. Procure Equipment, Supplies and Services** – To procure all equipment, supplies and services in such a manner that the maximum value will be obtained for the money expended.

- b. Seek Advice, Assistance and Cooperation of Cost Centers** – In the formulation, adoption, and/or modification of any standards or specifications, the Purchasing Department may seek the advice, assistance and cooperation of any source to ascertain its precise requirements for any given item or items.
- c. Negotiate and Execute Purchase Orders, Contracts and Leases** – To negotiate and execute purchase orders, contracts and leases with vendors in the best interest of the School Board of Bay County.
- d. Purchase Consolidation** – To consolidate purchase of like or common items in order to maximize economic benefits.
- e. Establish Specifications** – To establish appropriate specifications for supplies, equipment and services as needed; they may cite one or several (if applicable) existing commercially available “standard brands” that meet those specifications and/or contain the desirable features and quality (as examples or equals) which they believe to be acceptable according to the specifications.
- f. Effect and Exceptions** – After its adoption, each standard or specification shall, until revised or rescinded, apply alike in terms and effect to every purchase of the described item(s). No school or department shall be exempt from compliance with established standards or specifications; however, the Purchasing Department, whenever it deems necessary, may waive the requirements in writing of this section due to unusual or particular circumstances.
- g. Utilize Contracts and Sources** – When practical and economically advantageous, to utilize all know contracts and sources to expedite deliveries of needed supplies and equipment.
- h. Improve Community and Vendor Relations** – To continually work with other departments of the District to improve and promote better community and vendor relations.
- i. Qualified Vendors List** – To develop and maintain a current list of qualified vendors whose reputation, financial position and price structures are adequate for their consideration as logical sources of supply. A list of potential bidders for various types of materials, equipment and supplies will be kept up-to-date and available. Among other things, this list will be used in the development of a bidder’s mailing list for distribution of invitations to bid.
- j. Non-Performance of Vendors and Suppliers** – The Purchasing Department may remove the name of a vendor or supplier from its mailing list, for reasons of non-performance, failure to respond to three (3) consecutive bid invitations, or other pertinent factors deemed reasonable and valid. Any attempt to influence an award shall be a primary justification for removal of a vendor from a mailing list(s).
- k. Contract Violation by Vendor or Supplier** – Cost Centers shall report to the Purchasing Department, any significant violation of a purchase condition by a vendor or supplier. Upon such notification, and following proper notice to the vendor, the Purchasing Department may remove such vendor or supplier from its mailing list and notify all Cost Centers to cease doing business with such vendor or supplier for such time as deemed necessary.

- I. Complaints** – When using departments or schools are unable to resolve contract violations or are faced with continuous vendor problems or inferior goods, late deliveries, etc., the Purchasing Department must be notified in writing of the specific deficiencies. This record becomes a part of the permanent vendor file, so it is imperative that all information be verified by the school bookkeeper or principal, or if a District office, a supervisor or director.
- m. Purchasing Procedures Program** – To develop and administer a program to advise all schools and departments on correct purchasing procedures. To counsel and advise them of the proper lead times required, and of all unusual supply situations or problems.
- n. Status of Requisitions and Purchase Orders** – When requested, to provide schools and departments with the current status of their requisitions and purchase orders.

II. PURCHASING PROCEDURES

- a. Consolidation of Purchasing** – All schools, departments and agencies under the School Board jurisdiction will anticipate their annual needs for supplies and equipment to the greatest degree practicable. The Purchasing Department will consolidate these needs in order to accomplish quantity buying through competitive bidding.
- b. Request for Bids** – All requests, **regardless of cost**, are subject to being bid. The General Manager of Purchasing will exercise judgement based upon the general availability of an item, competitiveness of sources, and other factors to determine the need for requesting bids on items costing less than \$12,499.00 (\$10,000 Federal MPT). Informal Quotes shall be requested on purchases of \$12,500.00 - \$24,999.99. Written Requests for Quotations (RFQ) shall be requested from three (3) or more sources for any item or group of similar items, purchased from school funds, including internal funds, costing \$25,000.00 - \$49,999.99. Formal Sealed Competitive Bids shall be requested when a purchase exceeds costs of \$50,000.00 or more. All requests are subject to exception as exempted by Law or Rule. See Board Policy 6.101 for more information.
- c. Receipt of Bids** – Sealed bids will be received in the office of the General Manager of Purchasing, unless otherwise stipulated, at the designated time and date as set forth in the Bid Document (ITB/RFQ/RFP). Bids received after the specified time and date will be automatically rejected.
- d. Evaluation of Bids** – All competitive bids for materials and services shall be evaluated by staff members who are familiar with the specific materials, as well as the GM of Purchasing or a designated member of his/her staff. The GM of Purchasing will make recommendations to the Superintendent for awarding of contracts over \$25,000.00 and less than \$49,999.99, and to the Board for awards over \$50,000.00, giving careful consideration to prices, quality of materials, services, responsiveness of the bidder and other factors consistent with good

purchasing practices. In the evaluation process, consideration may be given to specific brands/products should the District's cost of ownership of the product is reduced by reasonable cost-savings through the use of existing in-house repair services and/or inventory of compatible parts. The School Board is not bound by the GM of Purchasing's recommendation and may award to the bidder they deem in their best interest.

- e. **Awarding of Bids** – Bids are awarded by the School Board to the lowest and best bidder meeting written specifications. In the case of tie bids, local preference may be employed if deemed in the Board's best interest.
- f. **Right to Reject, Request New Bids or Award Alternate Bids** – The School Board reserves the right to reject any or all bids; request new bids; award alternate bids varying from the general specifications set forth; and award bids on a per unit (item-by-item) or total bid basis, whichever would be in their best interest.
- g. **General Procurement and Awarding of Contracts Under Bid in the Acquisition of Equipment** – In the acquisition of equipment by general procurement and in the awarding of contracts under bid, due consideration will be given to the fact that school personnel are trained in the maintenance and repair of certain brands of equipment and that the School Board may have an investment in inventory or repair parts.
- h. **Emergency Bids** – If approved by the Superintendent, emergency bids may be requested from three (3) or more sources, as the emergency requires – by fax, telephone or any other appropriate means. All emergency bids shall be tabulated and presented to the Superintendent, who shall have the authority to Award bid and issue purchase orders. The Superintendent shall submit a report of the action taken at the next regular board meeting. The official minutes of the School Board shall show the nature of the emergency and why the regular bid procedure would have caused a delay which would have been against public interest.
- i. **Opening Bids** – All formal bids shall be opened publicly. Bid files, including tabulation sheets and/or any Board action taken, shall be recorded and open to the public upon request.
- j. **Bids not Required from Three (3) or more Sources** – The requirements for requesting three (3) sources or more will not be required for the purchase of educational tests, textbooks and printed instructional materials, films, filmstrips, video tapes, disc and tape recordings or similar audio-visual materials, or for library or reference books and printed library cards where such materials are purchased directly from a producer or publisher, the owner of the copyright, and exclusive agent within the state, a governmental agency or a recognized educational institution. Exceptions are further outlined in F.S. 287.057, FLDOE 6A-1.02 and Board Policy 6.101.
- k. **Request for Purchase Order (Purchase Request)** – Requisitions for materials, equipment and supplies shall be submitted by the various users to the GM of Purchasing via the online computer based Request for Purchase Order System. At the discretion of the GM of Purchasing, the order may be subject to a change of

vendor and cost, depending upon research of the needed items such as quality, costs, availability, warranty and maintenance factors. The request for purchase order shall contain:

1. Vendor Number and Name
 2. Department and/or School (shipping address)
 3. "Attention of" information
 4. Complete description of item
 5. Unit and extended cost (packaging, units, etc.,)
 6. Terms (delivery requirements)
 7. Freight Costs
 8. All Budget coding properly filled in
 9. School/Department requisition number
- i. **Tax Exemptions** – Remember that the District is exempt from both State sales tax and Federal Excise tax. Do not add any taxes to your amounts. The Florida Sales Tax exemption number is 85-8012621726C-2 and the Federal Excise Tax exemption number is 59-6000511. The current exemption is good through 2027.
- m. **Competitive Bids** – *Any request for the purchase of materials, equipment and supplies are subject to being bid; however, not all purchases or contracts are formally bid*, although competitive prices are sought for most acquisitions. A good "rule of thumb" for determining what method of competition will currently be utilized is as follows (Board Policy 6.101):
1. Formal, written sealed bids on single or multiple "like items" totaling \$25,000.00 or more.
 2. Informal Bids on single or multiple "like items" totaling \$12,500.00 to \$24,999.99. Purchases totaling these amounts require approval by GM of Purchasing, or Chief Financial Officer or Superintendent.
 3. Published price on all purchases falling under \$1,500.00, taking into consideration known discounts, special promotions, etc. Purchasing Department discretion will apply to orders between \$1,500.00 and \$2,500.00.
- n. **Request for Quotations** – The Purchasing Department shall request quotations on materials, equipment and supplies if the market reflects competitive price fluctuations and/or highly competitive prices such that it would be in the best interest of the District to seek quotations, regardless of the cost.
- o. **Supplies Store in the Central Warehouse** – Supplies stored in the Central Warehouse may be procured by Schools and Departments online through the TERMS Financial Program or PowerSchool Business PLUS ERP system once implementation is completed. The Purchasing Department will supply to each Department a Warehouse Price List containing all items and costs. The list will be updated a necessary.
- p. **Leasing** – Only the School Board may contract for the leasing of furniture, school apparatus and other supplies and equipment of such terms and for such length of time as it deems proper. The procedure to be followed in securing offers to lease

with be determined by the Purchasing Department, based on the gross rental payments under the lease, and under the regulations pertaining to purchases as stated in this Manual.

- q. **Emergency Buying** – Emergency orders must be kept to a minimum. When necessary, authorized emergency purchases will be by telephone, followed by a purchase order or by use of a Purchasing Card. To initiate an emergency transaction when not using the card, an authorized person must call the Purchasing Department. Be prepared to furnish information on the item(s) needed, the circumstances, and the total cost. Proper planning eliminates many rush transactions, but real emergencies will be handled as expeditiously as possible. (See “Emergency Bids” and/or Board Policy 6.101 Emergency Purchases)
- r. **Petty Cash** – Petty cash funds are established for the primary purpose of small day-to-day purchases and minor equipment repairs where a Purchasing Card cannot be used. No equipment may be purchased using petty cash funds. Examples of petty cash expenditures are belts for lawnmowers, gaskets for small engine; small “C” or “D” type batteries, etc. If your School or Department has been authorized a Petty Cash fund, a designee within that department will have fiscal responsibility for the management.
- s. **Blanket Purchase Orders** – A blanket purchase Order (BPO) is an “open end” contract which designates one (1) company as a supplier for items frequently needed by a particular School or Department. The BPO defines the terms, conditions, persons or departments authorized to use it, delivery instructions and total dollar value for a specified period of time. BPOs are obtained by submitting a Request for Purchase Order to the Purchasing Department. If the procedure is followed, it will result in proper control of funds, prompt payment to vendors and a ready source of supply. The vendors receive a BPO request from the ordering department, makes delivery and invoices against the original BPO. This procedure is followed until time or dollar limitations are exhausted.
- t. **Unauthorized Purchases (Confirmation Purchase Orders)** – Unauthorized purchases (also known as Unauthorized Commitment) are those acquisitions for which a properly executed purchase order or contract has not been issued (confirmation POs). Under DOE Rules and Regulations, the Superintendent or authorized representative(s) are the only persons empowered to make purchases and encumber funds. Authorized signatures are:
 - 1. Superintendent
 - 2. Chief Financial Officer
 - 3. GM of Purchasing
 - 4. Purchasing Agent

No other persons may make any purchases(s) involving the use of School Board funds and further, the Board is specifically prohibited from paying for unauthorized purchases. Unauthorized purchases are the liability of the person responsible for placing the order.

III. SPECIAL PROCUREMENT POLICIES

- a. **Purchases Requiring Prepayment** – Sometimes it is necessary to make advance payment for items, such as memberships and conference registrations. In such cases, be sure of the accuracy and complete description of the item required – its price and the exact name and address of the source of supply. Submit a Request for Purchase Order as usual and forward to the Finance Department evidence documenting the requirement to make such payment.
- b. **Cooperative Procurement** – The GM of Purchasing has delegated authority to join with educational institutions and other public agencies in the joint/cooperative procurement of supplies, materials, equipment and contractual services whenever the best interests of the public will be served. The cooperative procurements will be in accordance with the School Board policy.
- c. **Orders on Approval** – Orders on approval are those items that must be viewed before making final determination to retain or return them. Examples are certain books, magazines, specialized equipment, etc. In all cases when a using Department wishes to review the material, a Request for Purchase Order must be entered in the normal manner (properly filled in) with phrase “Order on Approval/Right to Return” appearing in the body on the purchase order.

IV. PAY AUTHORIZATION

- a. **Online Receiving and pay authorization** – Upon receipt of items ordered, the quantity accepted should be verified against quantity ordered as shown on the purchase order and proceed as follows.
 - 1. **All Items Received as Shown** – The receiving agent will follow procedures in the TERMS Training Manual (or subsequent manual) as apply to receiving items. It is important that online receiving be done as soon as items are received, not before, to facilitate prompt payment to vendors.
 - 2. **Partial Receipt of Merchandise (Due to Back-Order Condition)** – Payment for partial shipments is strongly discouraged. It is suggested that all small orders be held until completed. Partial payment can be made by the Finance Department on large orders, if approved by the Finance Officer. To facilitate, the Cost Center Manager must send a written request to the Finance Officer, via fax or email. Contact Finance when all items are received.
 - 3. **Adjustments to Original Order Quantities** – In the event of an over shipment, either make arrangements to return the over shipped items, or if you elect to keep the items, either enter a new requisition for those items and reference the original purchase order, or contact Purchasing to have the purchase adjusted via a change order.

- b. Claims Problems Involving Damage or Shortage** – In the case of an obviously damaged shipment or shortages in a shipment, a written report should be made immediately to the vendor supplying the goods, giving the following information:
1. Name of carrier(s) and signed, annotated copy of freight bill
 2. Purchase Order number and date
 3. Invoice number and date, if available
 4. Extent of damage or shortage
- In the case of lost shipments, in whole or in part, the report should include items (1) to (3) above and for item (4), list the number of cartons in shipment and the number lost. Annotate loss or damage on the freight bill and obtain trucker's signature acknowledging loss or damage on all copies of the shipping documents. With local vendors using their own trucks for delivery, a written report should be made promptly to the vendor supplying the goods.
- c. Prompt Inspecting and Checking of Items Received** – A system of inspection and testing should be used to ensure that the District is receiving the quantity and quality of goods for which it has contracted. The School/Department receiving the merchandise is responsible for promptly unpacking and carefully inspecting all shipments. If concealed damage is discovered, notify the carrier immediately. Hold all packing, boxes and any other applicable matter. The carrier will inspect the merchandise and file a concealed damaged report. All information pertinent to the damaged material will be helpful in settling the claim. Any discrepancies or shortages should be reported promptly in writing to the vendor supplying the goods, referring to the purchase order number, and attaching all pertinent paperwork. Should the using Department be unsuccessful in remedying the discrepancy, a complaint should be filed with the Purchasing Department. The Purchasing Department will attempt to work out the problems involved to protect the District's interest and to complete the transaction.
- d. Cancellation of Items** – To cancel an order, email the Purchasing Department a request to cancel. Include the purchase order number and reason for cancellation. Purchasing will cancel the order in the TERMS system or Business PLUS ERP System. It is the requesting Cost Center's responsibility to cancel with the vendor. This cancellation should be in writing with a copy to the Purchasing Department.
- e. Vendor Invoice Discrepancies** – The Finance Department will advise Cost Center Heads/Managers and the GM of Purchasing of any discrepancies between the vendor's invoice and the purchase order.
- f. Comments on Product or Vendor Performance** – The Purchasing Department is always interested in learning if the items acquired are meeting the user's requirements/needs. Please forward any comments about product or vendor performance directly to the GM of Purchasing in writing.
- g. Price Increases** – Purchase Order terms and conditions allow for modest price increased without prior approval. All significant price increased must be approved by the Cost Center Head prior to shipping; failure to abide by this requirement will

result in the Purchasing Department's denial of the price increase. Cost Center Heads will refer any requests for price increases on bid or contract items directly to the GM of Purchasing.

V. SUGGESTED PROCUREMENT PROCEDURES

- a. **Changes of Suggested Vendor by Purchasing** – The Purchasing Department may extract an item listed and buy from another source to take advantage of special circumstances. Of course, an order may also be shifted entirely to another supplier who will provide better prices, services or delivery. The standard quality will not be changed, except in necessary cases and with consultation by the Purchasing Department and the using Department. For these reasons, no commitments, expressed or implied, should be made by any School/Department to suppliers.
- b. **Suggestions of Supply Sources for Unusual Items** – Using Departments are encouraged to suggest sources of supply with complete addresses, particularly for unusual or standardized items. Authority for the final selection of the vendor shall be left to the Purchasing Department, which is charged with the overall responsibility of developing and contracting with the best sources of supply for the District.
- c. **Previous History of Most Commodities** – Usually, items specified on a Request for Purchase Order have been handled before for other Departments and an adequate history of the product, potential vendors, service capabilities and products availability is on hand in the Purchasing Department records, or can be readily developed or updated as needed. This, of course, is one of the advantages of specialization and centralization.
- d. **Entertainment or Gifts from Vendors/Suppliers** – Acceptance of gifts other than advertising novelties is at all times prohibited. Personnel must not become obligated to any vendor and shall not conclude any transaction from which they may personally benefit.
- e. **Commercial Bribery** – This is an action for which there is not justification. Bribery in any form is most serious because it is frequently hard to detect and very deceptive in its nature. Open bribery is seldom attempted; usually it consists of an attempt to secure favoritism by gifts or entertainment. Attempts to influence decisions unfairly may be directed against Purchasing personnel, Receiving personnel and other District Employees when they can in any way influence the selection of equipment or supplies to be purchased. It is important that Purchasing and all other District Employees do not place themselves in a position which permits suspicion of their ethics.
- f. **Warranties** – In many cases, products and equipment warranties are for one-year periods – both parts and labor. Generally, the end user is responsible for maintaining copies and enforcing all warranties; however, should any questions a

raise, contact the Purchasing Department for information and steps necessary to remedy the deficiency.

- g. Small Orders Discouraged** – Small orders are extremely costly to the District and even more so to Vendors, therefore it is best to avoid them when possible. Vendors are resisting the responsibility of delivering and invoicing orders when their costs become far greater than their gross markup on the materials sold.
- h. Establishment of Current Prices** – The Purchasing Department personnel attempt to always remain aware of current prices through published price lists, information available from salespeople or published market data; if prices cannot be determined from such sources, the pricing is established through negotiation or competition.
- i. Records** – Records of all purchases are carefully compiled, readily available and maintained as required by District Regulations, and State and Federal Law.
- j. Market Analysis** – Purchasing Department personnel systematically select useful information from the mass of information received daily. New sources of supply, new lines and grades of material, and prices paid for equipment, will be analyzed and purchased in accordance with general market conditions.
- k. Correspondence with Vendors** – All correspondence with vendors should be through the Purchasing Department, except in special cases where the technical details involved make it advisable to delegate this authority to others. In such cases, the Purchasing Department must receive copies of all correspondence. In addition, it may be necessary for faculty members or other personnel to correspond directly with suppliers to obtain information on supplies they may be utilizing; this is encouraged. It is important that no Unauthorized Commitments are engaged by persons not authorized by policy.
- l. Changes to Purchase Orders** – With the exception of adjustments, which are handled by the Finance Department and small price changes authorized by the Cost Center Heads, the Purchasing Department will execute all major modifications to purchase orders and contracts, especially for bid items. Changes to purchase orders are to be made only by authorized personnel.
- m. Systems Review** – Review systems and procedures as needed to see if changes should be made to incorporate improved methods.

VI. THE PURCHASING PROCESS

a. **Necessity for Preplanning Supply and Equipment Needs** – The necessity for preplanning supply and equipment needs by using Departments cannot be overemphasized. The time required to issue an order and secure delivery after receipt (in Purchasing) of a properly prepared and approved purchase order varies according to several factors. Among these are the following:

1. Are the items simple or complex?
2. Are the items expensive or of small value?
3. Are there many, or is there only one source or supply?
4. Are the items regularly stocked by dealers, or must they be scheduled with the manufacturers for future delivery?
5. Is the item a standard one or is it being developed and experimental?
6. Are modifications or attachments as to speed, output or sensitivity required even for otherwise standard equipment?
7. Is the item to be used along or as part of a “system” of presently on-hand components to be secured from the same or various sources?
8. Are one of more potential supplies available locally?

Obviously, all these questions must be considered by Purchasing in checking and amplifying specifications, securing bids and negotiating anticipated delivery dates. Except in the most complicated or bid situations, purchase orders will be issued on the day following the day of requisition entry; however, the workload at any given time within Purchasing is always a factor. Delivery will always depend on stocks of suppliers and the problems they have in producing or securing delivery from their suppliers.

b. **Proper Lead Time** – All using Departments should anticipate requirements and plan accordingly. It should be recognized that the Purchasing Department prides itself on acting quickly and effectively, however proper and economical procurement takes time. Sources must be located, bids obtained, negotiations accomplished, prices compared, and qualities checked before orders can be placed. Once the order is placed, additional time is required for processing by the Vendor. Manufacturing, such as printing, takes time to be completed; local stocks may not be sufficient; laboratory supply houses may be a distance; and special manufacture or processing may take months; transportation may be slow. All these factors affect the time needed to obtain material and this should be continually stressed to enable Purchasing to perform more effective procurement. Only with proper planning and foresight can unnecessary hardships be avoided.

c. **Review of the Request for Purchase Order** – Completed Requests for Purchase Order from Schools/Departments will be reviewed for:

1. Completeness and compliance with District policies
2. Availability of funds
3. Assignment and/or correctness of account numbers to be charged
4. Approval of Project Administrator (if required)

d. Suggestions on Preparing Request for Purchase Order Properly

1. A Department has the right to specify when items shall be delivered for use, but only a reasonable delivery requirement may be stipulated. Calling for delivery within a week for items that will require two (2) weeks to fabricate, of course, cannot be regarded by the Purchasing Department as reasonable. Bonafide emergency requirements will be handled as such, and Department needs will be met, if at all possible. The specific date or dates on which goods will be required at destination should be stated. Avoid the terms, such as “Urgent”, “Rush”, “As soon as possible” (ASAP), or “Immediate”. When the exact date is not important, the phrase “On or Before” is appropriate. When delivery of all items on the Request for Purchase Order are required on the same date, only one date is necessary preceded by the word “ALL”, otherwise, specify a separate date for each item or group of items. The information furnished under this heading is important and should be stated with care and discretion because it affects both the bid price and transportation cost.
2. Give a full description of what the item is, along with the catalog number or trade identification, to expedite purchase. Where practicable, attach a sample, if the description without it would be inadequate.
3. Indicate quantity clearly. If vague words are used such as “1 set”, “1 box”, “200 gallons” or “100 lbs.”, indicate what the set consists of, quantity per box, gallons per container, or pounds per package.
4. The Purchasing Department will only act upon valid requests for procurement. Cost Center Heads must recognize that the Purchasing Department assumes their approval has been guaranteed if a Request for Purchase Order is entered.
5. If any correspondence, conversation or understandings of any kind apply to items on a Request for Purchase Order, state so as a note on the Request for Purchase Order and send subject correspondence to the Purchasing Department with a thorough explanation of any matters which may affect the selection of a source of supply by Purchasing. Otherwise, it will be assumed that no inquiries or obligations have been made in connection with the request.
6. Attempt to verify current prices, and add shipping charges in accordance with catalog suggestions; if no suggestions are indicated, estimate shipping @ 10% of the total order. Shipping costs are usually included in bid prices, so make a note to review the bid information prior to submission.

VII. RELATIONS WITH VENDORS

- a. **Personal Contact Made by the Purchasing Department** – The Purchasing Department has more contact with vendors than any other office. In its relations with vendors, it has the power to enhance or detract from the image of the District.
- b. **Fairness** – The Purchasing Department, as well as District Personnel, can and should promote the reputation of the District for fair dealing:
 - 1. By giving all salespeople a full, fair, prompt and courteous hearing on any subject that is justified by the nature of their products.
 - 2. By keeping competition open and fair.
 - 3. By declining to take advantage of a seller’s error.
 - 4. By discouraging revision of bids after submission and insisting on receiving the best price and holding the bidder to it.
- c. **Integrity** – The Purchasing Department, as well as District Personnel, can and should promote the reputation of the District for integrity:
 - 1. By observing strict truthfulness in all transactions with salespeople and in all correspondence.
 - 2. By respecting the confidence of the salespeople or his/her company as to quotations or other confidential information.
 - 3. By keeping the District free from obligation to any vendor.
- d. **Service** – The Purchasing Department, as well as District Personnel, can and should promote the reputation of the District for service:
 - 1. By answering letters promptly.
 - 2. By furnishing complete information to seller and by sending samples, blueprints or other information when needed.
 - 3. By visiting, when advisable, major sources of supply and keeping informed as to their stability and methods.

Interviewing Hours – The Purchasing Department does not limit hours of the workday during which salespeople will be seen. One of the basic reasons for this is limiting interviewing hours would result in less efficient utilization of time by the Vendor’s representatives, hence our costs for purchase materials might increase. However, due to potential calendar conflicts, it is strongly suggested that appointments be established before visiting our offices.

Procurement Policy Statement for NSLP

Introduction

The following Procurement Policy Statement shall govern all purchasing activities that relate to any aspect of the National School Lunch, Summer and Breakfast Programs. This statement is meant to provide guidance to our personnel and vendors on acceptable and required procurement practices. Our goal is to fully implement all required and recommended procurement rules, federal, state and local regulations, and policies set forth in 7 CFR 210, 2 CFR 200 series, and by the Florida Department of Agriculture and Consumer Services.

Procurement Policy

This organization incorporates the following elements into the Procurement Policy Statement, as required by 7 CFR 210 and 2 CFR 200.

A. Buy American: We shall adhere to 7 CFR 210.21(d) to ensure compliance with the Buy American provision. In the event a non-domestic agricultural product is to be provided, the vendor must obtain, in advance, written approval of the product to be used.

B. Competition: We shall demonstrate our goods and services are procured in an openly competitive manner.

C. Comparability: We recognize for true competition to take place we must maintain reasonable product specifications to adequately describe the products to be purchased and the volume of planned purchases based upon pre-planned menu cycles.

D. Unnecessary and Duplicative Items: We shall avoid acquisition of unnecessary or duplicative items. Consideration will be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

E. Documentation: We shall maintain for the current year and the preceding five years all menus, production records, invitations to bid, bid results, bid tabulations or any other significant materials that will serve to document our policies and procedures.

F. Code of Conduct: This program shall be governed by the attached Code of Conduct and it shall apply to all personnel, employees, directors, agents, officers, volunteers, or any person(s) acting in any capacity concerning the food service procurement program.

G. Procurement Review Process: This procurement plan shall receive an internal program review on an annual basis by a staff person who is not associated with food service procurement process. This review shall be summarized in written form and kept with the other required program documentation.

H. Contract Administration: Purchases shall be checked or verified by designated staff to assure that all goods and services are received, and prices verified. All invoices and receipts shall be signed, dated, and maintained in the documentation file.

G. Small, Minority, Women owned Business and Labor Surplus: We shall take steps to assure that minority businesses, women's business enterprises and labor surplus area firms are used, when possible, as required in 2 CFR 200.321

Duties of Director of Food Service

1. To work with staff and program participants in developing acceptable menus for breakfast and lunch.
2. To compile market orders or requisitions for purchases which accurately reflect the total quantities of required foods to be ordered per (day, week or month).
3. To place and confirm orders with vendors or make plans to purchase the required items.
4. To keep program menus up to date by testing and using new products and seeking feedback from staff and clients.
5. To send out solicitations to vendors who have expressed an interest in doing business with the sponsor.
6. To make procurement awards based on the lowest and best vendor's response as determined by quality, availability, service, and price.
7. To work with vendors on a fair and equal basis.
8. To conduct an in-house procurement review once per year to ensure program compliance and to seek guidance or technical assistance when necessary.

Purchasing Procedures

The purchasing procedure to be followed is determined by the anticipated total annual expenditure on items related to the food service program:

- When the annual total for food service program related items is less than \$50,000 (the aggregate value of like-item goods or services) this organization will follow the informal procurement methods, i.e., micro or small purchase procedures.
- When the annual total for food service program related items is greater than \$50,000 (the aggregate value of like-item goods or services) this organization will follow the formal procurement methods, i.e., Invitation to Bid or Request for Proposal procedures.

Procurement procedures apply to the purchasing of vended meals, equipment, food, groceries, and services (i.e., pest control).

Micro-purchases

When the annual total for food service program related items is less than \$10,000 (the aggregate value of like-item goods or services) this organization will take the necessary steps to ensure the following:

- A single transaction purchase was under \$10,000;
- Aggregate cost of like purchases is under \$10,000;
- Same or similar purchases are spread equitably among all qualified sources; and
- The purchase price is reasonable, and the purchase is allowable.

Small Purchase Procedures

For purchases higher than the micro-purchase threshold but do not exceed the simplified acquisition threshold, a Small Purchase Procedure will be used to purchase necessary goods and services. When Small Purchase Procedures are used, this organization will take the following steps:

1. Obtain price or rate quotes from an adequate number of qualified potential vendors;
2. Document each potential vendor quoted price or rate, the day and from whom it from received, and the potential vendor's contact information;
3. Select the vendor that provides the lowest quote;
4. Inform all vendors from whom quotes were received, in writing, of the selection made; then
5. Write a contract for the goods or services procured between the sponsor and the selected vendor.

Formal Procurement Procedures

For purchases made above the small purchase threshold, a Formal Competitive Solicitation will be conducted. When Formal Competitive Solicitation procedures are used, this organization will take the following steps:

1. Prepare an Invitation to Bid (ITB) or Request for Proposal (RFP) document specifically addressing the items to be procured;

2. Publicly announce and advertise the ITB or RFP at least 14 calendar days prior to the deadline;
 - a. Announcements for ITBs must include the date, time, and location in which all responses will be opened.
3. Determine the most responsive and responsible response by using the selection criteria set forth in the ITB or RFP solicitation;
 - a. Responsive vendors will be those whose response conforms to all the terms, conditions, and requirements of the ITB or RFP.
4. Award the contract:
 - a. The contract will be awarded at least two weeks before program operations begin.
 - b. If a protest is received, it must be handled in accordance with Chapter 120.57(3), Florida Statutes.
5. Retain all records pertaining to the formal competitive solicitation for a period of five years plus the current year.

Noncompetitive Procurement Procedures

Noncompetitive procurement of goods and services is only be conducted if the circumstances in 2 CFR 200.320(c) apply. Noncompetitive agreements will not be used as part of a piggyback agreement.

Single or Sole Source Purchases

If items are available only from a single source, noncompetitive procurement may be used. When noncompetitive procurement procedures are used for single or sole source purchase, this organization takes the following steps:

1. Compile documentation of records to fully explain the decision to use the noncompetitive procurement procedures; including previously prepared specifications. The records will be available for audit and review.
2. Ensure the records reflect all federal, state, and local requirements for using single or sole source procurement are met; and
3. Ensure the goods or services received are the same as the goods or services discussed during noncompetitive negotiations and at the contracted prices, if applicable.

Limited to No Competition

When, after public solicitation, competition is determined inadequate, noncompetitive procurement may be used. When noncompetitive procurement procedures are used for purchases resulting from limited to no market competition, this organization takes the following steps:

1. Compile documentation of records to fully explain the decision to use the noncompetitive procurement procedures; including previously prepared specifications, proof of advertisement, solicitations, etc. The records will be available for audit and review.
2. Ensure the records reflect all federal, state, and local requirements for using noncompetitive procurement are met;
3. Negotiate with and make purchases from, or enter into an agreement with, the vendor that can provide the goods or services needed that reflects the terms of the originally advertised solicitation and any negotiated specifications or clauses;
4. Ensure the goods or services received are the same as the goods or services discussed during noncompetitive negotiations and at the contracted price, if applicable.

Public Emergency

Emergency procurement procedures may be used when a public exigency or emergency will not allow for a delay in service that may result from a competitive procurement. When noncompetitive procurement procedures are used for public emergency situations, this organization takes the following steps:

1. Verify a public emergency has been declared;
2. Compile documentation of records to fully explain the decision to use the emergency procurement procedures. The records will be available for audit and review;
3. Resulting contracts will not exceed 12 months in duration and will not be renewable;
4. Obtain approval from FDACS prior to entering into an agreement;
5. Ensure the goods or services received are the same as the goods or services discussed during noncompetitive negotiations and at the contracted price, if applicable; and
6. When the public exigency or emergency no longer exists, competitive procurement procedures will be reestablished for all purchases and contracts.

Piggybacking

In lieu of requesting a competitive solicitation, Sponsor may make purchases at or below the specified prices from contracts awarded by other Sponsors when the Sponsor that awarded the contract and the Contractor mutually permit purchases by a Sponsor at the same terms, conditions, and prices (or below such prices) awarded in such contract. When the Sponsor intends to piggyback on a contract, the following steps are taken:

1. Review the contract currently in place to determine if it meets all required federal, state, and local procurement policies and includes a provision allowing piggybacking. Such a provision must include specific applicable limitations of the extension (e.g., dollar value or the number of additional parties that may be added).
2. Obtain written permission to piggyback from all parties of the contract.

3. Submit the original contract, proposed piggyback agreement, and written permission to piggyback from all parties of the contract to FDACS for review and approval at least seven (7) calendar days prior to execution.
4. If it is determined that a material change to the original contract is results from the piggyback, Sponsor will conduct a separate procurement.

Nondiscrimination Statement

In accordance with federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, disability, age, or reprisal or retaliation for prior civil rights activity.

Program information may be made available in languages other than English. Persons with disabilities who require alternative means of communication to obtain program information (e.g., Braille, large print, audiotape, American Sign Language), should contact the responsible state or local agency that administers the program or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339.

To file a program discrimination complaint, a Complainant should complete a Form AD-3027, USDA Program Discrimination Complaint Form which can be obtained online at: <https://www.usda.gov/sites/default/files/documents/USDA-OASCR%20P-Complaint-Form-0508-0002-508-11-28-17Fax2Mail.pdf>, from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

1. **mail:**
U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; or
2. **fax:**
(833) 256-1665 or (202) 690-7442; or
3. **email:**
program.intake@usda.gov

This institution is an equal opportunity provider.

**Procurement Policy Statement for Sponsors of
National School Lunch and Breakfast Programs**

CODE OF CONDUCT

This written Code of Conduct shall govern the performance and actions of Bay District Schools (Sponsor) officers, School Board members, employees, directors, volunteers or agents who are engaged in any aspect of procurement, contracts, grants or the administration and supervision of contracts supported entirely or in part by federal entitlement funds disbursed by USDA. These regulations are found in 7 CFR 210.21 and 2 CFR 200.112.

1. No employee, officer, director, volunteer or agent of the Sponsor shall participate in the selection, award or administration of a bid or contract supported by NSLP funds if a conflict of interest is real or apparent to a reasonable person.
2. Conflicts of interest may arise when any employee, officer, director, volunteer or an agent of the Sponsor has a financial, family, or any other beneficial interest in the vendor firm selected or considered for an award.
3. No employee, officer, director, volunteer or agent of the Sponsor shall do business with; award contract to; or show favoritism toward a member of (his or her) immediate family, spouse's family or to any company, vendor or concern who either employs or has relationship to a family member; or award a contract or bid which violates the spirit or intent of federal, state and local procurement laws and policies established to maximize free and open competition among qualified vendors.
4. The Sponsor's employees, officers, directors, volunteers or agents shall neither solicit nor accept gratuities, gifts, consulting fees, trips, favors or anything having a monetary value in excess of ten dollars (\$10.00) from a potential vendor or bidder, or from any party to a sub-agreement or ancillary contract. (Examples of an acceptable gift would be; food product samples [may exceed \$10.00 value] when used to benefit the Sponsor and students; or a personal gift or meal valued at less than \$10.00 which is not intended to influence a procurement award or decision.
5. As permitted by law, rule, policy or regulation, the Sponsor shall pursue appropriate legal, administrative or disciplinary action against an employee, officer, director, volunteer, vendor or vendor's agent who is alleged to have committed, has been convicted of or pled no contest to a procurement related infraction. If said person has been convicted, disciplined or pled no contest to a procurement violation, said person shall be removed from any further responsibility or involvement with grants management, procurement actions or bids, consistent with school board, state or federal policy.

This institution is an equal opportunity provider.

PURCHASE ORDER FLOW CHART

At the Requesting Site:

1. End user determines that a need exists, identifies the product or service needed, its price and a suggested source.
2. End user fills out a Request for Purchase Order form with information noted above and submits to Principal or designee for budget coding and signature.
3. After budget coding is verified and Principal, or other budgetary authority has signed the request, it is forwarded to data entry person to key into TERMS/Business PLUS system.
4. All Request for Purchase Orders entered during a day are printed the next day in the Purchasing Department.

In the Purchasing Department:

1. General Manager of Purchasing and/or Purchasing Agent review each order and consider possible sources and assure that appropriate rules and policies are met in the acquisition.
 - a. Unless otherwise exempted by rule (such as “sole source” purchases), orders totaling between \$12,500.00 and \$24,999.99 require informal quotes which can be done in writing, verbally, faxed, by email or as formal written bids. All orders in this dollar category require approval by the GM of Purchasing or Chief Financial Officer.
 - b. Unless otherwise exempted by rule, orders totaling between \$25,000.00 and \$49,999.99 require formal bidding, typically RFQ or ITB, in the form of a written request for quotes. All orders in this category require approval by the Superintendent.
 - c. Unless otherwise exempted by rule, orders totaling \$50,000.00 and greater require formal sealed competitive solicitations (RFP or ITB). All orders in this category require School Board approval.

NOTE: Processing time for these orders depends upon complexity, pre-existing purchasing department workload, School Board meeting calendar, and other factors. Whenever you have an order of the mentioned values, contact the Purchasing Department to schedule the acquisition.
2. Purchasing clerk checks for budget code accuracy.
3. All requests that require no additional actions are processed into purchase orders on the next day after received in the Purchasing Department, purchase order forms are printed/emailed and purchase orders are mailed/emailed either that afternoon or the next morning.

Back at the Requisitioning Site:

1. Following purchase order processing, the requisitioning site can view the purchase order that was created by going online in the TERMS or Business PLUS ERP system and can print a report copy of the purchase order if desired.

2. Upon receipt of goods or services ordered on a purchase order, key in receiving report/payment authorization on panel F822 in the TERMS system or appropriate Business PLUS page.

CREDIT CARD PURCHASES

1. See the Purchasing Card Program User Manual for policies and instructions.
2. When purchasing with the District Purchasing Card, remember that budgets are not impacted until a requisition is entered into TERMS or Business PLUS ERP system and that payment is not made until the 18th of the following month.

Glossary of Common Procurement Terms

ACCEPTANCE - The act of accepting by an authorized representative; an indication of a willingness to pay; the assumption of a legal obligation by a party to the terms and conditions of a contract.

ACKNOWLEDGEMENT – A communication indicating that something has been received or understood. In purchasing it usually refers to a form that is received from a supplier that accepts or sometimes modifies the purchase order.

ACQUISITION - The act of acquiring goods and/or services (including construction) for the use of a governmental activity through purchase, rent, or lease. Includes the establishment of needs, description of requirements, selection of procurement method, selection of sources, solicitation of procurement, solicitation for offers, award of contract, financing, contraction administration, and related functions.

ADDED VALUE – A phrase often used to classify non-cash related benefits realized through the procurement process. The “added value” from the procurement process may include risk reduction, stakeholder training, exclusivity, preferential access to resources etc., all of which would be classified as “added value” benefits.

ADDENDUM - An addition or supplement to a document; e.g., items or information added to a procurement document.

ADVERTISE - To make a public announcement of the intention to purchase goods, services or construction with the intention of increasing the response and enlarging the competition. The announcement must conform to the legal requirements imposed by established laws, rules, policies and procedures to inform the public.

AGREEMENT - A duly executed and legally binding contract; the act of agreeing. The word agreement can have both informal and formal meanings. Informally the word may be used to describe a contractual agreement between parties: ‘the agreement has three months to run’. The formal meaning of the word is used in a legal context to describe one of the prerequisites for considering a contract valid. The parties must have ‘a meeting of the minds’, sometimes called ‘consensus ad idem’, meaning that for a contract to exist the parties must share a common understanding, and there must be no mistake as to what is being agreed. See also Contract.

AIR WAYBILL - An air waybill is a document used for airfreight that forms a record of what is shipped. It is a vital document in the handover of freight between supply chain participants. The document usually states what is being shipped, shipping instructions and shipping costs.

ALLOCATION - The practice of rationing customer orders at times of supply shortage. For example, all customers may have only part, say 50%, of their original orders delivered so that only, for example, 50% of the original order volume is delivered. To be placed ‘on allocation’ may cause buyers concern about continuity of supply and many buyers seek to position themselves as ‘preferred customers’ so that in times of shortage they get preferential access to scarce resources. See also Customer, Preferred.

ALTERNATE RESPONSE - A substitute response; an intentional substantive variation to a basic provision or clause of a solicitation by a vendor.

AMENDMENT - A written modification to a contract or purchase order or other agreements.

ANALYSIS - Analysis involves breaking down a complex whole into its constituent parts for subsequent investigation. Analysis is relevant to procurement in terms of spend analysis, category analysis, market analysis, price or cost analysis and bid analysis. In each case, we are seeking better understanding of the topic by profiling and describing the subject in different ways. Spreadsheets can help in terms of analyzing data, and many procurement processes require some analysis of trends and patterns in order to reach a better understanding. The application of technology to procurement has largely focused upon providing better tools to analyze data and produce better information. Good decisions require not only good data and better information, but also the knowledge to interpret the information and the wisdom to make informed choices.

APPROPRIATION - Sum of money or total of assets from public funds devoted to a specific purpose. See also Encumbrance.

APPROVAL - Most governance schemes involve a 'sign off' or approval stage when the contents of a prior stage are submitted for review against predetermined criteria. Reducing the number of duplicate or redundant approval stages is a key goal of many initiatives to shrink procurement cycle times. See also Governance.

APPROVED LIST - A phrase used particularly in public sector organizations to describe a standing list of pre-qualified bidders for a particular scope of work. Instead of issuing public advertisements each time a scope of work is to be tendered, bidders may be selected from within an approved list for that category. See also Pre-qualification.

ARO - After Receipt of Order. It refers to the amount of time it will take an order to be delivered after the order has been placed.

ASSET - Assets can include anything that is capable of being owned to produce value. Buildings, equipment and machinery are examples of tangible assets. 'Know how', brands and other intellectual property are examples of intangible assets. Assets typically appear on a balance sheet.

ASSET MANAGEMENT - refers to any system that monitors and maintains things of value to an entity or group. It may apply to both tangible assets such as buildings and to intangible assets such as human capital, intellectual property, and goodwill and financial assets.

AUCTION - An auction is the process of buying and selling goods or services by inviting competing bids from a number of participants. Competing participants in an auction may or may not know the identities or actions of other competitors. Forward auctions involve buyers submitting competing bids, with the price typically increasing during the auction. Reverse auctions involve sellers submitting competing bids, with the bids usually decreasing during the auction. Online reverse auctions are a common tool for procurement practitioners seeking to harness competitive tension for relatively undifferentiated categories. Some platforms allow the buyer to evaluate bids against a variety of criteria as

well as price, and bidders may have visibility on the actual prices bid, or simply the ranking of their offer in terms of competitiveness against the other bids received by the buyer.

AUDIT - Audits are typically part of a control process to validate that key activities are being or have been undertaken and to identify weaknesses or opportunities for improvement. "Tick and flick audits" which may check every 10th purchase order in order to ensure that the approvals and other controls in place are working have largely been superseded by 'systems audits' in which the integrity of the approval system as a whole is reviewed. This may involve a broader assessment not just of whether approvals took place, and addressing who undertook the approvals, but also considering whether the level of control was commensurate with the risk and, considering how else the risks may be managed.

BACK ORDER - In supply chain terms when a customer order cannot be immediately fulfilled from stock, the customer requirement may be placed on 'back order'. This implies that a replenishment order will be raised on the next tier of the supply chain and, when sufficient materials are available, the outstanding ordered amount will be forwarded to the original customer.

BAFO – Best and Final Offer refers to a multi-stage procurement process, in which written offers from bidders are subject to clarification and/or negotiation, and then the bidder[s] are invited to submit their final offer, which will not be subject to subsequent negotiation. Such processes may be appropriate when the scope of work is not well defined, the bidders' offers are substantially different and/or the procurement process represents an opportunity for buyer and bidders to develop their understanding of potential solutions.

BATNA – Best Alternative to a Negotiated Offer describes the option for a negotiator if agreement cannot be reached. It proposes that a negotiator who must reach a deal is in a weaker position than a negotiator who has an alternative option.

BEST PRACTICE - Best practice is associated with seeking to identify the best processes that exist, usually in other organizations, which it is hoped, if adopted, will lead to better outcomes. For example, a small organization may not have the economies of scale to achieve the same commercial outcomes in acquiring a category as a much larger enterprise, but they may be able to emulate the processes that the larger organization uses and, in so doing, optimize their own outcomes.

BEST VALUE - A result intended in the acquisition of all goods and services. Price must be one of the evaluation criteria when acquiring goods and services. Other evaluation criteria may include, but are not limited to environmental considerations, quality, and vendor performance.

BID - The word 'bid' is used generically to describe any proposals and may be used both to describe the buyer's issue of the 'bid documents' to potential bidders and, the actual submission of bids by the respondents. The term encompasses quotes, proposals, tenders and auction offers.

BID BOND - A bid bond is a guarantee that the bid a contractor submits for a project (usually public construction jobs) is accurate and the contractor will post a performance bond. If the bid is inaccurate or the contractor cannot fulfill the obligations of the bid, a claim can be made against the bid bond which the contractor is responsible to pay.

BID OPENING - Stage in a bidding process where the received bid-envelopes are opened and examined by the advertiser (called buyer, client, customer, or owner) of an invitation-to-bid (ITB) or Request for Proposal (RFP). In an open or public bid opening, the bidders (and other parties) are allowed to witness the process and inspect the bids, in a closed opening only the owner's staff is present.

BID RIGGING - Bid rigging occurs when suppliers communicate with each other before lodging their bids and agree amongst themselves who will be the successful bidder and at what price. This practice is one type of collusive tendering and may be discouraged by introducing new bidders and, regularly benchmarking offers against industry standards.

BIDDER'S LIST - List of contractors who have fulfilled the requirements of pre-qualification criteria. Such contractors are called qualified bidders or contractors.

BILL OF LADING - A written receipt or contract, given by a carrier, showing a list of goods delivered to it for transportation.

BILL OF MATERIALS - A list of items used in the manufacturer of a product.

BLANKET ORDER - A contract under which a vendor agrees to provide goods or services on a purchase-on-demand basis. The contract generally establishes prices, terms, conditions and the period covered (no quantities are specified); shipments are to be made as required by the purchaser.

BOND - A bond is a written agreement set up by participants in a relationship in order to guarantee performance, or to provide security against default or non-performance. Examples include bid bonds, performance bonds and completion bonds. In each case, a sum of money is deposited as surety that each party will fulfil their obligations, as the bond may be forfeited in defined circumstances.

"BRAND NAME OR EQUAL" SPECIFICATION - A specification that uses one or more manufacturers brand names or catalog numbers to describe the standards of quality, performance and other characteristics needed to meet the requirements of a solicitation and provide for the submission of equivalent products. See also Equal or Approved Equal.

BROKER - A business that carries no inventory and that has no written ongoing agreement with any manufacturer or manufacturer's authorized distributor to sell the products of the manufacturer.

BUSINESS - A contractor, subcontractor, supplier, consultant, or provider of technical, administrative, or physical services organized as a sole proprietorship, partnership, association, corporation, or other entity formed for the purpose of doing business for profit.

CAPITAL EQUIPMENT - Assets listed on an organization's accounting records that have value and are durable.

CHANGE ORDER - A change order is the formal document through which a change is made to a construction contract, for example the scope of work or the completion date or the price of the work. Both parties agree to the change and the implications in terms of mutual rights and obligations. Change orders can only be approved by the Contract Manager or designee.

CLOSE OUT - In contract management, the final stage of a project is the close out, involving all the administrative, legal and financial processes needed to bring the contract to an end. These processes include ensuring that the contractor has fulfilled their obligations, that all financial liabilities have been resolved, that the performance of the contractor has been recorded, that any outstanding claims have been identified, and that the rights and obligations of the parties in respect of ongoing liabilities such as latent defects have been recorded and executed as per the terms of the contract.

COLLUSION - Secret agreement between two or more individuals or organizations to limit competition by the use of such methods as deception, misleading behavior or fraudulent activity, where the objective is to obtain an unfair advantage. Collusion may take the form of a market sharing agreement, price fixing or bid rigging. Legally, all acts affected by collusion are considered to be void.

COMMODITY - A transportable article of trade or commerce that can be bartered or sold. A good that is supplied by many different producers and is considered to be equivalent by the market. One of the characteristics of a commodity is that its price is determined as a result of being actively traded by its market. Soft commodities are goods that are grown, for example coffee beans, wheat and sugar. Hard commodities are the goods that are extracted through processes such as mining, for example gold and crude oil.

COMPETITION - Competition is a contest between businesses that are striving for the client's business. Organizations in business are usually in competition with others for customers, markets, materials and, of course, contracts. Most procurement governance schemes value competition between suppliers as a means of securing value. Many markets are not 'free and open' as there are barriers to entry or market distortions such as monopoly, and because market offerings are not homogenous. Similarly, the practice of inviting three quotes, bids, offers or tenders may not harness the available competition.

CONSIDERATION - Something of value given or done as recompense that is exchanged by two parties; that which binds a contract. For promises to be enforceable as a contract, each party to a contract must provide 'consideration', unless the agreement is a deed. In procurement, the buyer usually agrees to pay a sum of money - the price - in return for the supplier promising to perform the contract. The mutual exchange of benefits between the parties is one test to establish the existence of a legally binding contract.

CONSUMER PRICE INDEX (CPI) - A consumer price index measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically. CPI is established annually by the U.S. Bureau of Labor Statistics (BLS).

CONTRACT - Any written instrument or electronic document containing the elements of offer, acceptance, and consideration to which an agency is a party. A contract can be written or verbal. It is an agreement between two or more parties to perform specific acts and is enforceable by law. The six prerequisites for a legally binding contract are: agreement (offer and acceptance); consideration (the payment of a sum of money etc.); capacity (being of legal age and sound mind to enter legal relations); intention (the parties to the contract intend to enter legal relations); formalities (representation in writing) and certainty.

CONTRACT ADMINISTRATION/MANAGEMENT - The management of all actions after the award of a contract that must be taken to assure compliance with the contract; e.g., timely delivery, acceptance, payment, monitoring, closing contract, etc.

CONTRACTOR - A person who agrees to furnish goods or services for a certain price; may be a prime contractor or subcontractor.

COOPERATIVE PURCHASING - The combining of requirements of two or more governmental units to obtain the benefits of volume purchases and/or reduction in administrative expenses. Cooperative purchasing is one of the ways that local governments can save time and money in their purchasing programs. It occurs when two or more entities (state, federal or local governments) coordinate some or all of their purchasing needs so that they can join in purchases to the mutual benefit of all the entities concerned. There are any number of levels of cooperative purchasing, from very occasional minor cooperation in a purchase, to a level where all purchases are done through the cooperation of two or more governments. There are also several types of cooperative purchases, ranging from one government "riding" on the contract of another government to splitting the purchasing duties equally.

CRITERIA - When evaluating offers, weighted factor analysis can be used to assess competing offers against a variety of criteria. A number of criteria are proposed, usually including cost, quality, time, service and other relevant factors, and each criterion is weighted with a relative weighting to value its importance in the decision-making process. Offers are then scored against the weighted criteria to identify the best value outcome overall.

DEALER, JOBBER OR DISTRIBUTOR - A business that maintains a store, warehouse, or other establishment in which a line or lines of products are kept in inventory and are sold to the public on a wholesale or retail basis.

DEBARMENT - The disqualification of a person to receive invitations for bids or requests for proposals, or the award of a contract by a government body, for a specified time commensurate with the seriousness of the offense, the failure, or the inadequacy of performance.

DEFAULT - Failure by a party to a contract to comply with contractual requirements.

DELIVERY - The formal handing over of property; the transfer of possession, such as by carrier to purchaser.

DEMURRAGE - The detention of a ship, railroad, car or truck beyond a specified time for loading/unloading; the payment required and made for the delay.

DESIGN SPECIFICATION - A specification setting forth the required characteristics to be considered for award of contract, including sufficient detail to show how the product is to be manufactured.

DESTINATION - The place to which a shipment is consigned.

DISCOUNT - A discount is a reduction in the listed or stated price of a good or service. Discounts can be applied to manufacturer's list prices, trade or retail prices. There are

many reasons for discounting, including to increase short-term sales, to move out-of-date stock or to reward valuable customers. Many list prices are deliberately inflated to allow participants in the supply chain to grant discounts so, for procurement practitioners the negotiation of a discount is less significant than the scale of that discount.

DROP SHIPMENT - Merchandise which is shipped by a manufacturer directly to a customer in response to the seller who collects orders but does not maintain an inventory.

e-COMMERCE - e-Commerce is commerce that takes place over electronic systems such as the internet and other networks. The term embraces not only raising orders on web-based systems and paying invoices through electronic transfer, but also online marketing, online catalogues, electronic supply chains, electronic data interchange, online transaction processing, email and inventory management processes.

e-PROCUREMENT - e-Procurement involves the online conduct of business-to-business procurement processes using web-based applications. The significance of e-Procurement is that it enables buyers to locate potential suppliers, review product choices, select products and make purchasing transactions directly over the Internet. Typical e-Procurement applications include web-based ERP solutions that automate transactional procurement processes.

ECONOMICALLY DISADVANTAGED AREA BUSINESS (ED) - Small business eligible for certification as socially disadvantaged business or economically disadvantaged area business: A small business entity with its principal place of business in Minnesota organized for profit, including an individual, partnership, corporation, joint venture, association, or cooperative that is 51 percent owned and is operationally controlled on a day-to-day basis by citizens of the United States. The areas of economic disadvantage are determined by the US Department of Labor.

EMERGENCY ACQUISITION - A threat to public health, welfare, or safety that threatens the functioning of government, the protection of property or the health or safety of people.

ENCUMBRANCE - An encumbrance is a portion of a budget set aside for spending required by law or contract. Like the budget itself, an encumbrance is a projection and not yet a reality. If business conditions continue as they are when you set the budget, then the encumbrance will become an expense.

ENERGY STAR - A federal standard applied to office equipment for the purpose of rating the energy efficiency of the equipment. Energy Star computers, monitors, and printers save energy by powering down and going to "sleep" when not in use, resulting in a reduction in electrical bills and pollution levels.

ENVIRONMENTALLY PREFERABLE PRODUCT (EPP) - A product or service that has a lesser or reduced impact on human health and the environment when compared with competing products or services that serve the same purpose. Such products or services may include, but are not limited to those which contain recycled content, minimize waste, conserve energy or water, and reduce the number of toxins either disposed of or consumed.

EQUAL OR APPROVED EQUAL - Used to indicate that an item may be substituted for a required item if it is equal in quality, performance and other characteristics. See also Brand Name or Equal Specification.

ESCALATION CLAUSE - A contract provision which permits the adjustment of contract prices by an amount or percent if certain specified contingencies occur, such as changes in the vendor's raw material or labor costs.

ETHICS - Ethics involves distinguishing between what is right and wrong behavior by an individual or organization. Many organizations and professions have codes of conduct designed to encourage integrity in carrying out duties. Typical principles are that staff must perform their duties impartially, personal interest should not affect professional decisions, information should not be used to gain financial advantage for themselves and staff should maintain the highest standard of integrity in all business relationships. It is especially important that procurement staff display standards of behavior that evoke trust among stakeholders and confidence in the objectivity of the process.

EVALUATION OF RESPONSES - The examination of responses after opening to determine the vendor's responsibility, responsiveness to requirements, and other characteristics of the solicitation relating to the award.

FIFO - "First-in, First-out", an accounting method of valuing inventory based on the ending inventory cost of the most recent material received and the cost of goods sold as the cost of the oldest purchases including beginning inventory.

FISCAL YEAR - The 12 months between one annual settlement of financial accounts and the next; a term used for budgeting, etc. The fiscal year for Bay District Schools is July 1 – June 30.

FIXED ASSETS - State property that is in one of four categories:

1. non-expendable property having a normal life expectancy of more than two years and a value of \$1,000 or more.
2. semi-expendable property established by the owning agency's policy as fixed assets: any item having a normal life expectancy of more than two years and a value of less than \$1,000.
3. firearms, regardless of their value.
4. sensitive items, as established by the agency policy.

FIXED COST - periodic cost that remains more or less unchanged irrespective of the output level or sales revenue, such as depreciation, insurance, interest, rent, salaries, and wages. While in practice, all costs vary over time and no cost is a purely fixed cost, the concept of fixed costs is necessary in short term cost accounting. Organizations with high fixed costs are significantly different from those with high variable costs. This difference affects the financial structure of the organization as well as its pricing and profits.

FORMAL SOLICITATION - A solicitation which requires a sealed response.

FREE ON BOARD (FOB) - An Incoterm meaning 'free on board' (named port of shipment) where the seller delivers the goods on board a ship nominated by the buyer, and clears the goods for export, but the buyer is responsible for all subsequent costs and risks. It is recommended for use only for maritime and inland waterway transport. The term FCA is preferred for multimodal sea transport in containers.

FREIGHT DEFINITIONS –

- **FOB Point of Origin, Freight Collect** – Customer takes title of goods at point of origin or factory, pays freight, bears freight, owns goods in transit and must file claims for loss, damage or overcharges.
- **FOB Point of Origin, Freight Prepaid and Allowed** – Customer takes title of goods at point of origin or factory, owns goods in transit and files claim. Vendor pays freight and bears freight costs.
- **FOB Point of Origin, Freight Prepaid and Added** – Customer takes title of goods at point of origin or factory, bears freight and owns goods in transit. Vendor pays freight and adds freight to invoice.
- **FOB Destination, Freight Collect** – Customer takes title of goods at destination, pays freight and bears freight. Vendor owns goods in transit and files claims.
- **FOB Destination, Freight Prepaid and Added** – Customer takes title of goods at destination and bears freight. Vendor pays freight, adds freight charges to invoice and owns goods in transit.
- **FOB Destination, Freight Prepaid and Allowed** – Customer takes title of goods at destination. Vendor pays freight, bears freight, owns goods in transit and files claims.

GOODS - All types of personal property including commodities, materials, supplies, and equipment.

HAZARDOUS WASTE - Any waste (solid, liquid, or gas) which because of its quantity, concentration, or chemical, physical, or infectious characteristics pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, or disposed of.

HOLD HARMLESS CLAUSE - A provision in an agreement under which one or both parties agree not to hold the other party responsible for any loss, damage, or legal liability. In effect, this clause indemnifies the parties on a unilateral or reciprocal basis.

IMPLIED CONTRACT - A legally enforceable agreement that arises from conduct, from assumed intentions, from some relationship among the immediate parties, or from the application of the legal principle of equity. For example, a contract is implied when a party knowingly accepts a benefit from another party in circumstances where the benefit cannot be considered a gift. Therefore, the party accepting the benefit is under a legal obligation to give fair value for the benefit received. Opposite of express contract.

INCENTIVES - Incentives in procurement refer to the 'carrots' that may be offered to suppliers to motivate the supplier to perform to or above agreed standards. For example, a risk and reward contract will typically feature a bonus payable to the supplier if they exceed agreed performance standards. Another incentive that may be used is an extension of the contract. For example, the contract may be for an initial two-year period with an option to extend for a further one-year and then another one year, subject to satisfactory performance. The contract extension is an incentive to motivate the contractor to perform. In practice the use of incentives seeks to equip the buyer with some way of motivating performance once competitive tension is no longer present. Relative contract types are Fixed-Price Incentive and Fixed-Price with Award Fee/Term.

INDEMNITY CLAUSE - A provision in a contract under which one party (or both parties) commit to compensate the other (or each other) for any harm, liability, or loss arising out of the contract. The formula to compute the amount of compensation is usually included in the contract.

INFORMAL SOLICITATION - A solicitation which does not require a sealed response.

INFORMATION - Information can be defined as structured data. For example, a list of all purchase orders is raw data. The list is then sorted by supplier, to provide meaning over and above the raw data, by revealing patterns. Typically there will be many suppliers having received only a few purchase orders. That information could be a factor in a decision to reduce the supply base. There may also be suppliers who have received multiple purchase orders, and that information may be a factor in a decision to change the method of purchase, perhaps to a procurement card.

INNOVATION - Innovation refers to the creation of new products, technologies, processes and/or ideas that are thought to be better or more effective by the innovator. Most organizations value their suppliers as potential sources of innovation and so the procurement process should facilitate the legitimate transfer of ideas from suppliers to the buyer. Similarly, when outsourcing or sourcing internationally, careful consideration should be given to the transfer of technology to sub-contractors who may become competitors.

INSURANCE - A contract between an insurance company and a person or group which provides for a money payment in case of covered loss, accident or death. Insurance is a form of risk management, as risk is transferred from one organization to another in exchange for payment, i.e. the insurance premium. When seeking to insure against loss, the buyer has a duty of 'utmost good faith' to advise the insurer of all relevant facts so that the insurer can reach a balanced judgement on the risk involved.

INVOICE - A list of goods or services sent to a purchaser showing information including prices, quantities and shipping charges for payment. An invoice is a document issued by a seller to the purchaser, describing what has been done or purchased, in what quantities and at what prices. The invoice will also include the agreed payment terms, which will trigger the payment process. Some organizations undertake a two-way match before paying invoices, reconciling the invoice with a purchase order, while a three-way match involves the purchase order, invoice and a receipt note. As invoice payment processes are part of acquisition costs, there has been a focus on minimizing the transaction costs of raising orders and paying invoices, especially for low-value transactions where the cost of the transaction can be more than the value of the invoice.

JIT - "Just in Time", referring to a scheduling system that minimizes inventory by having material arrive just as it is about to be put in use. Most often used when the buyer has limited storage space or the product has a short usable life span.

JOINT PURCHASES - Two or more governments join to purchase one or more goods or services jointly in joint purchases. This may involve each government handling part of the administrative chores or agreeing to have one of the governments handling the transactions under the guidance of the others. If the arrangement is long-term, rotate the roles periodically to share equally the purchasing duties. All parties to a purchase must agree to the specifications, so that a mutually satisfactory good or service is ordered.

JOINT VENTURE - Joint ventures are business agreements where the parties involved agree to develop a new entity with new assets and often, but not necessarily, contribute equity to it. The parties involved maintain joint control over the new enterprise and subsequently share in any profits, as well as supporting the business initially by paying expenses and funding assets. The purpose behind a joint venture is to bring together

complementary capabilities, to share risk between contracting parties, or to ensure a degree of local ownership. Joint ventures are part of a continuum of potential relationships between organizations and, while they are one form of strategic alliance, they are unique in the sense that a third legal entity is created. It is a more formal arrangement than a partnership or an alliance where two or more parties agree to cooperate, generally, but not necessarily, without creating a new legal entity.

LEAD TIME - Lead-time is the interval between the initiation and completion of a process. For example, the lead-time between the placement of an order and its delivery from the supplier is the most common lead time used in procurement. Reducing lead-time is an integral part of lean thinking and some supply chains have been configured to create rapid setup and small runs so that production can occur quickly in response to an order that pulls materials through the supply chain.

LEASE - A contract conveying from one entity to another the use of real or personal property for a designated period of time in return for payment or other consideration.

LEASING - Leasing is an alternative to outright purchase in which a buyer can obtain the use of an asset without the upfront cost. Depending upon the type of lease, the buyer may ultimately acquire ownership of the goods. Leasing, rental and hire purchase are alternatives which may suit some buyers when funds are limited, when the parties have different tax rates, or when use of the asset is needed for a short period of time.

LESS-THAN-TRUCKLOAD (LTL) - A quantity of freight less than the amount necessary to constitute a truckload.

LESSEE - One to whom a lease is granted.

LESSOR - One who grants a lease.

LETTER OF CREDIT - A Letter of Credit (LC) is a way of funding purchases when the seller is reluctant to dispatch the goods unless they have been paid for and the buyer is reluctant to pay unless they have received the goods. To overcome a potential impasse, Letters of Credit allow banks to manage the buyer and supplier's risk by creating a documentary chain. The buyer's bank sends a Letter of Credit to the supplier, which triggers dispatch of the goods to the carrier. The buyer's bank also arranges to pay the seller's bank, on presentation of evidence the goods have been shipped, such as a Bill of Lading. When the supplier presents the Bill of Lading to their own bank, their own bank pays them, if the details match. The Bill of Lading is then presented to the buyer's bank by the supplier's bank, and the buyer's bank debits the amount from the buyer's account. The buyer uses the Bill of Lading to take delivery of the goods from the carrier.

LETTER OF INTENT - A Letter of Intent (LOI) is a document outlining the status of agreement between two or more parties before a contract has been finalized and which aims to give some comfort to one or both parties that they can anticipate a contractual agreement will be forthcoming. Whether called a letter of intent, heads of agreement or memorandum of understanding, the parties want to signal that negotiations are proceeding and they need to record the status of their negotiations such as what has been agreed, perhaps to allow one party to commence work before the final contract is agreed.

LICENSING - A license is permission granted by one party to another party authorizing them to use licensed material owned by the first party. The licensed material may be software, intellectual property such as trademarks, or product rights. The license typically defines the scope of the license, the term, geographical territory and renewal provisions.

LIFE CYCLE COSTING - A procurement evaluation technique which determines the total cost of acquisition, operation, maintaining and disposal of the items acquired; the lowest ownership cost during the time the item is in use.

LIFO - "Last-in, First-out", accounting method of valuing inventory based on the assumption that the last items purchased are the first sold.

LINE ITEM - An item of supply or service specified in a solicitation for which the vendor must specify a separate price.

LIQUIDATED DAMAGES - A specific sum of money, agreed to as part of a contract to be paid by one party to the other in the event of a breach of contract in lieu of actual damages, unless otherwise provided by law.

LIST PRICE - The price of an article published in a catalog, advertisement or printed list from which discounts, if any, may be subtracted.

LOGISTICS - Logistics is the management of the flow of goods between their origin and the point of use. Logistics includes the transportation, storage, warehousing, handling, packaging and security of goods. Logistics is usually described as having a narrower scope than supply chain management as the focus is primarily on the flow of goods and the integration of processes; in particular, the sharing of information is not as central to logistics as to supply chain management.

LOWEST RESPONSIBLE VENDOR - The vendor with the lowest price whose past performance, reputation and financial capability is deemed acceptable.

LUMP SUM - A contracting strategy that involves the client agreeing a fixed price with a contractor for completion of a defined scope of work. Payment may be made as a lump sum, or a series of progress payments against defined milestones, which is often the case in construction contracts.

Clients prefer lump sum pricing as the financial cost of the project is defined in advance, providing the scope of work does not change. If the client changes the scope, this may give rise to variations, but otherwise the risk of costs exceeding the tendered price lie with the contractor, not the client. For this reason, lump sum contracts are most appropriate when the scope of work can be defined with some certainty. If a contractor is asked to provide a lump sum price for a project with high uncertainty or many unknowns, it is likely that the bidders will include contingencies in their offers to cover the risk.

MAINTENANCE, ROUTINE, OPERATING CATEGORIES (MRO) - Maintenance, routine and operating categories are low value categories which are not an input to the production process, but which are used in support of operations. The term is a subset of indirect materials and represents a level of classification of categories. Examples of MRO categories would be cleaning materials, lubricants, laboratory supplies, spare parts, gaskets and industrial consumables, and in some procurement organizations these categories would not

be aggregated as MRO, but managed individually. The reason that they are grouped together is that they have some common characteristics, such as being relatively low value, and maintaining continuity of availability is a key procurement objective.

Sometimes the acronym is used to imply maintenance, repair and overhaul, which describes categories which are used to support plant, equipment and machinery. Scheduled overhauls and maintenance campaigns require provisioning of parts and, in most situations, the cost of downtime is greater than the cost of holding inventory, so MRO often implies matching supply and demand at lowest overall total cost.

MANIFEST - A manifest is a detailed statement listing the cargo, passengers and crew of a ship, aircraft, or vehicle. The manifest is usually stored securely so that in the event of mishap the exact cargo is known. In addition, customs and other officials may request a copy of the manifest to allow for identification of the cargo that is on-board.

MANDATORY - Required by the order stipulated, e.g., a specification or a specific description that may not be waived.

MANUFACTURER - A business that makes or processes raw materials into a finished product.

MARKET - The aggregate forces (including economics) at work in trade and commerce in a specific service or commodity. To sell, analyze, advertise, package, etc.

MARKET ANALYSIS - When developing a procurement strategy, most procurement processes reconcile analysis of demand for the category with the attributes of the supply market to develop an appropriate strategy. Market analysis is the systematic review of the characteristics, capacity and capability of the supply market in order to understand the extent to which the market meets the needs of the buying organization. For example, the definition of market requires decisions about two key dimensions: the geographical scope of the market, (is it a local, regional, national or global market?), and the technical scope of the market. Technical scope addresses the range of solutions that meet substantially the same need. Once the market is defined, tools of analysis may be used to profile the market, such as life cycle, trends, technology road map, the relative bargaining power of buyers and sellers, the threat of new entrants etc.

MATERIAL VARIANCE/MATERIAL DEVIATION - A variance or deviation in a response from specifications of conditions that allows a responder a substantial advantage or benefit not enjoyed by all other responders or that gives the state something significantly different from what the state requested in the solicitation document. Variance and Deviation are key terminology of statistical analysis.

MATERIALS MANAGEMENT - The management function of an organization that may include all or a portion of the responsibility for purchasing, inventory control, traffic, shipping, receiving, and warehousing.

MATERIAL SAFETY DATA SHEET (MSDS) or (SDS) - A Materials Safety Data Sheet is a printed form containing data about the properties of a substance. It is intended to provide staff using the product with guidance on handling or working safely with the substance, and includes physical characteristics of the substance such as melting point, boiling point and flash point, as well as toxicity, health effects, first aid procedures in the event of spillage or

contact, and advice on storage and disposal. Data Sheets should be accessible to all staff that work with the materials. Many organizations use databases to ensure up-to-date information on all dangerous goods, but in particular to ensure that data sheets are up to date so that staff dealing with the products can understand the risks and adopt the most appropriate protective equipment and safe handling procedures.

MODEL PROCUREMENT CODE (MPC) - A publication approved by the American Bar Association which sets forth procurement statutory principles and policy guidelines for managing and controlling the procurement of supplies, services and construction for public purposes; administrative and judicial remedies for the resolution of controversies relating to public contracts; and a set of ethical standards governing public and private participants in the procurement process.

MONOPOLY - In procurement, a monopoly occurs when only one supplier supplies a particular category. Monopolies can occur due to barriers to entry such as patents, or through mergers or government license. Monopolists have some or all of the following characteristics: they may maximize profit, set the price of the category in the marketplace and restrict the supply of the product or service. Monopolies are a form of market structure, and procurement strategies need to address the monopolist's behavior and the fundamental lack of competition. Market regulators may resist potential mergers and acquisitions that may create market dominance, and in some circumstances the planned merger may not be allowed.

MULTIPLE AWARD - Contracts awarded to more than one supplier for comparable supplies and services. Awards are made for the same generic types of items at various prices.

NEGOTIATION - Negotiation is a process through which each party tries to achieve their goals in the context of the relationship with the other party. In procurement, the other party may be a long-term supplier or a one-time supplier, and our approach may be different in each case. However, in every negotiation we need to be clear about our objectives, and decide how we plan to achieve our goals. For example, 'win-win' negotiations may be appropriate in some circumstances, and we may plan to share value with the other party, perhaps through the exchange of concessions or trading negotiable variables. In other situations we may have no remit for the relationship with the other party and plan to claim value for us, by using facts and reason, without helping the other party 'win'. The common elements are clear objectives - the 'what' and the 'how' - how we plan to persuade the other party, which needs to be consistent with the relationship that we want to create.

NET PRICE - Price after all discounts, rebates, etc., have been allowed.

NETWORKING - Building rapport with stakeholders or fellow procurement practitioners is called networking. For knowledge workers, the ability to solve a problem can sometimes be linked to not just what you know personally, but who you have in your network of contacts and associates who may know the answer. For example, category managers may create a network, external to their organization, of contacts also managing the same category that can share category-specific information. Internally, power users and key team members may form networks to share insights and understanding.

NO BID - A response to a solicitation for bids stating that respondent does not wish to submit an offer. It usually operates as a procedure consideration to prevent suspension from the vendors list for failure to submit a response.

OEM – “Original Equipment Manufacturer”, suppliers usually give lower prices to such buying organizations for purchases of material used in the buying organization’s products being made for resale.

OFFER - In a legal context an offer is ‘an expression of willingness to contract on certain terms, made with the intention that it shall become binding as soon as it is accepted by the person to whom it is addressed’. Typically suppliers make offers in the form of bids, quotations or tenders, which may then be accepted by the buyer. The offer defines the terms upon which the supplier is willing to be bound, which normally include price, date of delivery, payment terms and a description of the category. One of the essential prerequisites for the formation of a contract is the existence of an offer.

ORDER ACKNOWLEDGMENT - Historically, suppliers would issue an order acknowledgment to advise the buyer that a purchase order had been received; however, the order acknowledgment has become part of the ‘battle of the forms’. The practice of issuing order acknowledgments has declined in some sectors, as individual transactions now occur within a broader business framework, such as an overarching contractual agreement.

OPTION TO EXTEND/RENEW - A provision (or exercise of a provision) which allows a continuance of the contract for an additional time according to permissible contractual conditions.

OSHA - The Occupational Safety and Health Administration, US federal agency created in 1970 under the US Department Of Labor to establish and enforce standards and laws for working conditions in commercial and industrial sectors. Its recommendations and guidelines (such as those for material safety data sheet) are followed in several other countries as well.

OUTSOURCING - Outsourcing is the process of changing the provider of a service or good from an internal division to an external source. The make or buy decision precedes outsourcing, which only occurs if the analysis concludes that the better value is possible from sourcing externally.

Outsourcing a business process for the first time requires baselining what services are currently offered, at quality standard and cost, and deciding if there are opportunities to change the range or quality of those services. Decisions also have to be reached about the future of in-house employees. The outsourcing process is the application of the procurement process to an activity that is currently insourced, but otherwise is no different to the procurement of other services. The extent of involvement of the existing procurement team in outsourcing decisions is a measure of the maturity of the procurement function, as sometimes the procurement team is not involved, for reasons of confidentiality or perceived sensitivity of the process.

PACKING LIST - A document which itemizes in detail the contents of a particular package or shipment.

PARTIAL PAYMENT - The payment authorized in a contract upon delivery of one or more units called for under the contract or upon completion of one or more distinct items of service called for thereunder.

PARTNER - Partner is a label applied to suppliers with whom the buying organization enjoys a longer term and cooperative relationship. It is part of a classification of potential buyer-supplier relationships, and represents a type of relationship in which both parties work to reduce waste, reduce cycle time, and create joint profit and other forms of value. The creation of joint working teams and the adoption of common work practices are linked to longer term relationships, in which both parties forego opportunism, and work towards longer-term goals. Such relationships are; however, time consuming to create and resource hungry.

PARTNERING - Partnering refers to the process of developing a relationship to one in which both parties are prepared to work cooperatively. It requires selecting the potential partner and facilitating changes in behavior, such as the replacement of competition with cooperation and the development of trust. If the parties have been used to claiming value from each other in win-lose negotiations, partnering implies creating and sharing that value. Partnering also describes the creation of a culture where the seller is open about their costs, and the buyer declines to behave opportunistically.

PARTNERSHIP - Partnership is a label given to a relationship in which the parties forego short-term opportunism and demonstrate a longer-term commitment to jointly strive for lower costs and the creation of new ways of working together to improve joint competitiveness. In a partnership, senior managers from both organizations will meet to align longer term planning and goals, and commission joint teams to work across organizational boundaries to align systems, processes and behaviors.

PAYMENT BONDS - A payment bond is a type of surety bond that is typically posted by the prime contractor on a construction project to help guarantee payment to all the subcontractors and suppliers below them on the project.

PAYMENT TERMS - The conditions under which a seller will complete a sale. Typically, these terms specify the period allowed to a buyer to pay off the amount due, and may demand cash in advance, cash on delivery, a deferred payment period of 30 days or more, or other similar provisions. Typically, Payment Terms may be expressed as NET 30. In these terms, this means a 30 day grace period after receipt of goods and invoice to pay the invoice in full.

PER DIEM - By the day or an allowance or payment made for each day.

PERFORMANCE - The accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract.

PERFORMANCE BOND - A contract of guarantee, executed subsequent to award by a successful vendor to protect the buyer from loss due to the vendor's inability to complete the contract as agreed.

PERFORMANCE REVIEW - A performance review is the process of monitoring and evaluating performance, i.e. a supplier's during a contractual agreement. As part of supplier relationship management, buyer and seller meet periodically to review performance and plan for any potential deviations from agreed standards. For example, a provider delivers a service where one of the standards required is 99% uptime. At the scheduled performance review meeting the actual uptime is reviewed and root causes to variations in the standard are investigated. To improve service reliability and meet uptime standards, action plans are agreed for implementation moving forward.

PIGGY-BACKING - In piggy-backing, one government purchases for themselves and for others as to a convenience to the others. Both governments should protect themselves by establishing an agreement in writing, even when the arrangement is informal. The agreement should specify the duties and responsibilities of each party.

POINT OF ORIGIN (shipping point) - The location where a shipment is received by a transportation line from the shipper.

POLITICAL SUBDIVISION - A subdivision of a state which has been delegated certain functions of local government. Can include counties, cities, towns, villages, hamlets, boroughs and parishes.

POST-CONSUMER MATERIAL - A finished material which would normally be disposed of as a solid waste after its life cycle as a consumer item is completed. Does not include manufacturing or converting wastes. This refers to material collected for recycling from office buildings, homes, retail stores, etc.

PRE-CONSUMER MATERIAL - Material or by-products generated after the manufacture of a product but before the product reaches the consumer, such as damaged or obsolete products. Pre-consumer material does not include mill and manufacturing trim, scrap, or broken material which is generated at a manufacturing site and commonly reused on-site in the same or another manufacturing process.

PRE-QUALIFICATION - Pre-qualification describes the evaluation of potential bidders, before bids/tenders are invited, against a list of criteria to ensure that only bidders which meet defined standards are eligible to bid, which can reduce the cycle time of the procurement process. Competitive bidding/tendering is predicated on the evaluation of offers on an 'apples with apples' basis, to ensure that bidders are of equal capability, or meet minimum professional and financial accreditation. In addition, the maintenance of standing lists of approved bidders can ensure that fair and open competition is demonstrated, and that bids can be evaluated on a broadly 'like-for-like' basis.

PREFERENCE -An advantage in consideration for award for a contract granted to a vendor by reason of the vendor's residence, business location, or business classifications (e.g., minority, small business).

PREPAID -A term denoting that transportation charges have been or are to be paid at the point of shipment.

PREQUALIFICATION OF VENDORS - The screening of potential vendors in which such factors as financial capability, reputation and management are considered when developing a list of qualified vendors. See Vendors List, Qualified Vendor/Responsible Vendor.

PRICE - The amount of money that will purchase a definite weight or other measure of a commodity. Price is the monetary sum exchanged for goods and services. Price levels are an outcome of competitive processes, such as the levels of supply and demand in the market. In procurement, most buyers are measured on the 'hard dollar' savings that they make, and so have a keen interest in optimizing price. Most total cost models demonstrate that purchase price, while not the only component of total cost, is a key part of the total cost of most categories, and so procurement practitioners will focus on price as one procurement goal.

PRICE AGREEMENT - A contractual agreement in which a purchaser contracts with a vendor to provide the purchaser's requirements at a predetermined price. Usually involves a minimum number of units, orders placed directly with the vendor by the purchase, and limited duration of the contract. See Blanket Order and Requirements Contract.

PRICE FIXING - Agreement among competing vendors to sell at the same price.

PRICE INDEX - Usually refers to any of various numbers representing prices at a particular time for a product or category of products as reported to the Department of Labor, Bureau of Labor Statistics of the U.S. Government. Average price movements can be measured up or down from the monthly reports issued.

PRO FORMA INVOICE - An abridged or estimated invoice sent by a seller to a buyer in advance of a shipment or delivery of goods. It notes the kind and quantity of goods, their value, and other important information such as weight and transportation charges. Pro forma invoices are commonly used as preliminary invoices with a quotation, or for customs purposes in importation. They differ from a normal invoice in not being a demand or request for payment.

PROCUREMENT - The combined functions of purchasing, inventory control, traffic and transportation, receiving, inspection, store keeping, and salvage and disposal operations.

Procurement describes all those processes concerned with developing and implementing strategies to manage an organization's spend portfolio in such a way as to contribute to the organization's overall goals and to maximize the value released and/or minimize the total cost of ownership. Procurement is a more comprehensive term than purchasing, which is more focused on the tactical acquisition of goods and services and the execution of plans rather than the development of strategies.

Procurement can be a department, a role and/or a process. As a process, procurement begins with the review of the spend portfolio and the development of an opportunity analysis. Once categories are defined, the procurement process involves identifying and engaging with potential stakeholders, defining business needs and preparing a business case. Once the market has been reviewed, a reconciliation of the business need and the supply market character ensures that appropriate procurement strategies are developed. Strategies may involve insourcing, outsourcing, competitive bidding, direct negotiation, and a variety of other sourcing strategies. Once the strategy is developed, the execution will involve market engagement and the issue of the RFI and the RFP and/or negotiation. Once offers are evaluated, the optimum solution will be selected and the appropriate contractual agreement established.

PROCUREMENT CARD - A procurement card is a credit card used by some organizations as an alternative acquisition method to raising a requisition and/or purchase order. PCards were initially used to acquire low-value and low-risk categories, such as travel and entertainment, though because of their low transaction costs, they are increasingly being used for a wide variety of acquisitions.

Most PCard systems incorporate a variety of controls to prevent abuse, and a key control is to limit the number of personnel who have access to a PCard. Other controls can include a single purchase dollar limit, a monthly expenditure limit and a control on which merchants can be used. Once expenditure has been incurred, the card provider will issue a statement to the buying organization, which will allow reconciliation of expenditure and attribution to the appropriate budget and expenditure accounts.

The use of PCards can reduce the transactional workload for purchasing teams and focus activity upon establishing agreements for the key category spends, rather than managing individual transactions.

PRODUCER PRICE INDEX (PPI) – A numerical figure representing a certain producer price compared with a base index at an earlier time.

PROPRIETARY - The only items that can perform a function and satisfy a need. This should not be confused with "single source." An item can be proprietary and yet available from more than one source. For example, if you need a camera lens for a Nikon camera, the only lens that will fit is a Nikon lens, thus, this lens is "proprietary." However, the Nikon lens is available from more than one source, thus, it is not single source.

PUBLIC PRIVATE PARTNERSHIP (P3) - Public Private Partnership refers to a project that is operated and funded by a partnership between private sector companies and government. Typically, the PPP involves the private sector entity injecting capital into the development of an asset, which it may then operate and assume some financial risk for. For example, a government may plan a tunnel, but be reluctant to levy taxes on the public to raise the capital. Instead, they may enter into a PPP with a contractor, or an alliance of contractors. The contractor invests the money and manages the building of the tunnel in return for the right to levy tolls on road users of the tunnel for a defined period, for example 30 years. At the end of the period the ownership of the asset may transfer to the government, and so the contractor's risk would be that patronage of the tunnel might be less than anticipated, and they might not make as much profit as planned, or even make a loss.

PUBLIC PURCHASING - The process of obtaining goods and services for public purpose following procedures implemented to protect public funds from being expended extravagantly or capriciously.

PURCHASING - Purchasing describes all those transactional processes concerned with acquiring goods and services, including payment of invoices. It is a narrower term than procurement, describing reactive, tactical processes. Typically purchasing processes are triggered by the development of a request to purchase by a user. The purchasing process differs from sourcing or procurement in three key aspects: the scope of the process, the degree of influence exerted on the process, and the nature of the choices made. In terms of scope, the purchasing process typically begins after a user has selected the solution, or

defined the need, and ends on the receipt of the good or service and payment of the supplier's account.

In terms of influence, the purchasing process is primarily concerned with selecting the supplier and agreeing the terms, though the acquisition may be made against an existing agreement. In terms of the nature of decisions made, purchasing decisions tend to be focused on individual transactions, and not aligned to the organization's overall goals, or to choices with longer-term strategies.

PURCHASING AGENT – The person authorized to make purchase agreements for the organization.

PURCHASE MANUAL - A document that stipulates rules and prescribes procedures for purchasing with suppliers and other departments.

PURCHASE ORDER - The signed written acceptance of the offer from the vendor. A purchase order serves as the legal and binding contract between both parties.

QUALIFIED VENDOR/RESPONSIBLE VENDOR - A vendor determined by a buying organization to meet minimum set standards of business competence, reputation, financial ability and product quality for placement on the vendor list.

QUALIFIED PRODUCTS LIST (QPL) - A list of products that, because of the length of time required for test and evaluation, are tested in advance of procurement to determine which suppliers comply with the specification requirements. Also referred to as an "approved brands list."

QUALITY - Quality is defined within the relevant standard ISO 9000 as 'the degree to which a set of inherent characteristics fulfils requirements'. Requirements in this case are needs or expectations, and refer to the ability of a product or service to satisfy the customer's needs. Quality is rarely an absolute standard and can only be measured against a customer's needs or reasonable expectations. In procurement, quality is always a key factor in decision-making and is often the single most important factor; if the solution chosen is not fit for the intended purpose, why would you select it? There are also legal obligations on suppliers to supply goods of acceptable quality. This implies that goods need to reach a basic level of quality given the price of the goods and any description that is provided with the goods. The goods need to be fit for all the purposes for which the goods are commonly supplied, acceptable in appearance and finish, safe, durable and free from defects and faults.

Services must be carried out with due skill and care and any materials provided as part of the service must also be fit for the purpose.

QUANTITY - Amount or number.

QUANTITY DISCOUNT - A reduction in the unit price offered for large volume contracts.

RADIO-FREQUENCY IDENTIFICATION (RFID) - Radio-frequency identification is a technology that allows a reader to capture information from an electronic tag using radio waves. The technology has applications in identifying and tracking inventory, assets and

vehicles. It may replace some barcoding applications as multiple RFID tags can be read at once and without the line of sight needed with a barcode.

REBATE - When negotiating with suppliers, if the buyer cannot accurately forecast demand, the parties may agree a rebate arrangement. In this case, a rebate is calculated as a sum of money payable back to the buyer by the supplier, based on actual purchase volumes over the previous operating period. The arrangement is attractive to suppliers, as the discount is based on actual rather than estimated volumes, and is payable in arrears. The scale of the discount may be based on a volume price agreement, the greater the volume purchased, the greater the discount. For example, if purchases over the period exceed \$100,000, a 1% discount is 'earned' payable in arrears. Rebates are sometimes used by procurement agencies as a means of funding their operations. Suppliers agree to charge customers a price that includes a premium due to the procurement agency that negotiated the arrangement as a fee for the service.

RECEIPT - A receipt is a document of confirmation that goods have been delivered or services performed. The supplier may present a proof of delivery and the buyer may generate a goods receipt note. The goods receipt note is usually part of a three-way match between the purchase order, the invoice and the goods receipt note, and is needed to confirm that the invoice might be paid. When a two-way match occurs, the invoice is matched either to the purchase order or simply to the goods receipt note. In some organizations without an ERP system it can be difficult to encourage end users to confirm that the services have been performed or the goods delivered, and a two-way match reconciling the invoice with the purchase order triggers payment in defined circumstances, such as below a certain value threshold.

RECYCLED CONTENT - The portion of a product that is made from materials directed from the waste stream; usually stated as a percentage by weight.

RECYCLED PRODUCT - A product that contains the highest amount of post-consumer material practicable, or when post-consumer material is impracticable for a specific type of product, contains substantial amounts of pre-consumer material.

RECYCLING - Recycling is the processing of waste materials into new products. Recycling aims to limit the loss of potentially useful materials, reduce the consumption of new materials, lower energy usage, reduce potential air pollution from the incineration of garbage, reduce water pollution produced by landfill by reducing the need for 'conventional' waste disposal methods, and lower the emissions of greenhouse gases in comparison to the potential emissions created in the production of new goods. The fourth component of the 'waste hierarchy', the others being 'avoid', 'reduce' and 'reuse', recycling is a key component in modern waste reduction.

REMANUFACTURED PRODUCT - Any product diverted from the supply of discarded materials by refurbishing and marketing said product without substantial change to its original form.

RENT - A rental contract giving the right to use real estate or property for a specified time in return for rent or other compensation. See also Lease or Leasing.

RENTAL - A rental contract is an agreement to allow the use of an asset for a period of time without ownership passing. The terms 'hire', 'rent' and even 'lease' are often used as

synonyms, with the differences related to context. Typically, equipment is rented on a short-term basis where the nature of demand does not warrant outright purchase.

REQUEST FOR BID (RFB) - A solicitation in which the terms, conditions, and specifications are described and responses are not subject to negotiation.

REQUEST FOR INFORMATION (RFI) - A Request for Information is a market inquiry prepared by the buyer and issued to one or more prospective suppliers. The purpose is to gather information about the category, the supplier's solutions, capacity and or capability, and key market intelligence. An RFI is used when the buyer lacks understanding of the product or service and/or the category, and wishes to increase that understanding prior to seeking commercial offers through a Request for Quotation, Proposal or Tender. RFIs are usually part of a multi-stage procurement process, with the next step usually involving shortlisting potential respondents based on the RFI replies and inviting commercial offers. The RFI may also be used to stimulate the supply market and to condition prospective suppliers about the potential opportunity that may exist.

REQUEST FOR PROPOSAL (RFP) - A Request for Proposal is a market inquiry prepared by the buyer and issued to prospective suppliers for higher value and/or more complex solutions. The purpose is to invite commercial offers from a number of suppliers in order to secure competition, and to gather information about the supplier's solutions and capability, and key market intelligence. The selection of a Request for Proposal as opposed to a Request for Tender (RFT) usually reflects the fact that the specification is not a conformance specification, which requires complete adherence to the buyer's standards, but rather that bidders are free to submit potential solutions which meet the performance required. The evaluation of the RFP may require the buyer to compare alternative approaches to meet the same need, and most buyers structure their documentation such that some elements are to be read, and some elements are to be completed and returned in the format and with the contents requested. Typically, this will include an opportunity for the supplier to confirm acceptance of the buyer's terms and conditions so that the buyer may win the 'battle of the forms'.

The use of RFPs has increased significantly as more and more categories and projects have become contestable. The corollary is that bidders' success rates tend to be low, with a 20% success rate being unusually high. Accordingly, some suppliers manage their success rate by only bidding for those RFPs which are clear and demonstrate good governance, and which they believe their company has a reasonable chance of winning.

REQUEST FOR QUOTATION - Request for Quotation [RFQ] is a market inquiry prepared by the buyer and issued to prospective suppliers, typically for lower value or simple acquisitions. The purpose is to invite commercial offers from a number of suppliers in order to secure competition, and to gather information about the supplier's solutions, their lead time, service support and other dimensions of their value proposition. The selection of a Request for Quotation as opposed to a Request for Tender (RFT) usually reflects the fact that the value of the proposed acquisition is lower, and a less formal approach is required. For example, the offers may be submitted on the supplier's own stationery, rather than conform to the buyer's requirements, and the closing time and date for receipt of offers may be less critical. Requests for Quotation may be issued competitively or non-competitively, depending on the buyer's governance regime, though many governance regimes require a minimum of three quotations. The key requirements of the RFQ are to ensure that the supplier's response states their price, delivery or performance timescale, the nature of their value proposition or offer and the period of validity of their offer. This

allows the evaluator to select the most appropriate response and adopt a simple and streamlined approach to the acquisition.

REQUIREMENT - Materials, personnel or services needed for a specific period of time.

REQUIREMENTS CONTRACT - A form or contract that is used when the total long-term quantity required cannot be definitely fixed, but can be stated as an estimate or within maximum and minimum limits with deliveries on demand. Also referred to as an IDIQ contract for Indefinite Delivery Indefinite Quantity.

REQUISITION - An internal document that a functional department (stores, maintenance, production, etc.) sends to the purchasing department containing details of materials to meet its needs, replenish stocks or obtain materials for specific jobs or contracts. A requisition is a formal written request from the end user requesting that a purchase order be raised for goods or services they need. While some organizations do not use formal requisitions, most create a formal system to allow budgetary approval of the proposed expenditure prior to the requisition being processed in to a purchase order. For example, the end user may state what they need, in terms of a description of the good or service, a quantity, the budget or expenditure code, and a required delivery date. Sometimes the user may suggest a supplier, though this depends on the context. Increasingly, end users are empowered to order directly goods and services that are already subject to a procurement arrangement without creating a requisition. Procurement cards may be used for this purpose, reducing non-value adding processes, or in the case of ERP or procurement systems, a software solution creates and manages the workflow automatically. The user's requisition is routed to the appropriate approver, based on the system rules, and the approver approves or denies the request. For categories that are subject to existing contractual agreements, the system may create a purchase order automatically. This changes the role of procurement practitioners from managing individual transactions to a category-based approach to managing key spend streams.

RESIDENT VENDOR - A person, firm, or corporation authorized to conduct business in the State of Florida on the date a solicitation for a contract is first advertised or announced. It includes a foreign (outside the state) corporation duly authorized to engage in business in Florida.

RESPONDER - One who submits a response to a solicitation document.

RESPONSE - The offer received from a vendor in response to a solicitation. A response includes submissions commonly referred to as "offers," "bids," "quotes," or "proposals."

RESPONSIBLE BIDDER - A bidder whose reputation, past performance, and business and financial capabilities are such that the bidder would be judged by an appropriate authority as capable of satisfying an organization's needs for a specific contract.

RESPONSIVE BIDDER - A bidder whose bid does not vary from the specifications and terms set out in the invitation for bids.

RESTRICTIVE SPECIFICATIONS - Specifications that unnecessarily limit competition by eliminating items capable of satisfactorily meeting actual needs. See Performance Specification.

REUSED/REUSABLE PRODUCT - Any product designed to be used many times for the same or other purpose without additional processing other than specific requirements, such as cleaning, painting or minor repairs.

REVENUE - The income generated from sale of goods or services, or any other use of capital or assets, associated with the main operations of an organization before any costs or expenses are deducted. Revenue is shown usually as the top item in an income (profit and loss) statement from which all charges, costs, and expenses are subtracted to arrive at net income.

RFP OR RFT CONFERENCE - A meeting arranged by a procurement office to help potential bidders understand the requirements of an RFP or a RFT. Also known as a Pre-Bid conference.

SALES TAX - A levy on a vendor's sale by an authorized level of government.

SCOPE OF WORK - The division of work to be performed under a contract or subcontract in the completion of a project, typically broken out into specific tasks with deadlines.

SEALED - A method determined by the commissioner to prevent the contents being revealed or known before the deadline for submission of responses.

SERVICE CONTRACT - A business agreement between a contractor and customer covering the maintenance and servicing of equipment over a specified period.

SERVICES - Unless otherwise indicated, both professional or technical services and service performed under a service contract.

SINGLE SOURCE - An acquisition where, after a search, only one supplier is determined to be reasonably available for the required product, service or construction item.

SMALL BUSINESS - A designation for certain statutory purposes referring to a firm, corporation or establishment having a small number of employees, low volume of sales, small amount of assets or limited impact on the market.

SOFT COST - A cost for an item that is not considered direct construction cost. Soft costs include architectural, engineering, financing, and legal fees, and other pre- and post-construction expenses.

SOLE SOURCE - Indicates that there are no alternative suppliers that produce exactly the same product with exactly the same specifications. There is often only one source for patented items.

SOLICITATION - The process used to communicate procurement requirements and to request responses from interested vendors. A solicitation may be, but is not limited to a request for bid and request for proposal.

SOURCING - Sourcing describes all those activities within the procurement process concerned with identifying and evaluating potential suppliers, engaging with selected suppliers and selecting the best value supplier(s). The outcome of the sourcing process is

usually a contract or arrangement that defines what is to be procured, on what terms and from which suppliers. The phrase 'strategic sourcing' may be used to describe the application of the sourcing process to significant acquisitions, or the team that manages the sourcing process on behalf of the organization.

SPECIFICATION - A concise statement of a set of requirements to be satisfied by a product, material or process that indicates whenever appropriate the procedures to determine whether the requirements are satisfied. As far as practicable, it is desirable that the requirements are expressed numerically in terms of appropriate units, together with their limits. A specification may be a standard, a part of a standard, or independent of a standard.

SPEND ANALYSIS - Spend analysis is the part of the procurement process focused on reviewing expenditure data to allow exploration of the opportunities which may exist to create value in a category. The key activities include acquiring the data, cleansing the data, and analyzing the data.

STANDARD - An item's characteristic or set of characteristics generally accepted by the manufacturers and users of the item as a required characteristic for all such items.

STANDARDIZATION - The process of defining and applying the conditions necessary to ensure that a given range of requirements can normally be met, with a minimum of variety, in a reproducible and economic manner based on the best current techniques.

SUPPLIER - Supplier is one term used to describe external organizations that deliver services or goods to a buyer. Other terms in common use include vendor, service provider and contractor. In some contexts the word 'supplier' denotes a company that supplies materials, while the word 'contractor' is used for providers of services.

SURETY BONDS - A financial guarantee provided by a surety (insurance company or bank) that payments accruing due to liabilities under the contract shall be retired by the contractor of the surety will do so. There are three types of surety bonds: bid bonds, performance bonds and payment bonds.

SURPLUS PROPERTY - Property in excess of the needs of an organization and not required for its foreseeable use. Surplus may be used or new, but it possesses some usefulness for the purpose it was intended or for some other purpose.

SUSTAINABILITY - Sustainability is about meeting the needs of the present, without compromising the ability of future generations to meet their needs. In practice, this means adopting a broader range of decision-making criteria than traditional economic criteria. Corporate social responsibility [CSR] and triple bottom line considerations extend procurement decision-making criteria away from just price and quality to include the environmental merits, as well as the social impacts of alternative solutions.

TABULATION OF RESPONSES - The recording of responses for the purposes of comparison, analysis and record keeping.

TERMS AND CONDITIONS (T&Cs)- A phrase generally applied to the rules under which all bids must be submitted and the stipulations included in most purchase contracts; often published by the purchasing authorities for the information of all potential vendors.

TERMS OF PAYMENT - When parties agree commercial terms in a contract, one of the terms will include the interval between the buyer receiving a correct invoice and the buyer making payment of the agreed sum. The actual terms agreed will reflect the balance of power between the parties and the degree of trust in the relationship. See also Payment Terms.

THREE WAY MATCH - When approving a supplier's invoice for payment, a three-way match reconciles the purchase order; the goods receipt note and the supplier's invoice, in order to determine whether the invoice should be paid in its entirety.

TITLE - The instrument or document whereby ownership of property is established.

TORT - A wrongful act, other than a breach of contract, such that the law permits compensation of damages. A tort is an act or omission that gives rise to injury or harm to another and amounts to a civil wrong for which courts impose liability. In the context of torts, "injury" describes the invasion of any legal right, whereas "harm" describes a loss or detriment in fact that an individual suffers. Laws relating to contracts are referred to as Tort Law(s).

TRAVEL COST - In temporary travel assignments, air travel and local transportation, per diem mileage allowance, lodging, and other non-labor associated expenses. In long-term or permanent relocation, it includes all moving expenses also.

TRUCKLOAD (TL) –

1. A quantity of freight to which truckload rates apply or a shipment tendered as a truckload.
2. A highway truck or trailer loaded to its carrying capacity. See Less-Than-Truckload.

UNIFORM COMMERCIAL CODE (UCC) - A comprehensive modernization of various statutes relating to commercial transactions, including sales, lease, negotiable instruments, bank deposits and collections, funds transfers, letters of credit, bulk sales, documents of title, investment securities and secured transactions. The Florida law is found in F.S. Title XXXIX Chapter 670.

UNIT OF MEASURE - The unit used to quantify an item, for example length, mass, volume, area, number etc. Some materials may be sold by weight, while others may be sold by volume, but whichever convention is adopted, transactions will be more efficient if both buyer and seller adopt the same unit of measure.

UNIT PRICE - The price of a selected unit of a good or service (e.g., pound, labor hours, etc.).

UNSUCCESSFUL VENDOR - A vendor whose response is not accepted for reasons such as price, quantity, failure to comply with specifications, etc.

VALUE - Value is an umbrella term, describing the range of benefits or utility derived, either by the user, a stakeholder, the supplier or the buyer. Procurement practitioners have typically used three broad areas to measure value. The first is cash-releasing benefits, which broadly equate to 'savings'. The second is value released through the procurement process that does not translate into bankable savings, ('hard dollars'), in the budgets of buying organizations. This is known as cost avoidance. Third, the procurement process

may release value through reducing risk, reducing cycle time, affording the buying organization competitive advantage or other 'value adds'. These definitions reflect the fact that it is often easier to describe value than to measure it and the challenge of the procurement process is to bring to light what represents value for each category and ensure that the solution selected represents best value.

VALUE ADDED - The value added to a product or service at each phase of the supply chain, based on the difference between the input value and the output value.

VALUE ANALYSIS - An organized effort directed at analyzing the function of systems, products, specifications, standards, practices, and procedures for the purpose of satisfying the required function at the lowest total cost of effective ownership consistent with the requirements for performance, reliability, quality and maintainability.

VENDOR - Someone who sells something; a "seller." The term 'vendor' is a generic label applied to suppliers.

VENDORS LIST - A list of names and addresses of suppliers from whom bids, proposals and quotations might be expected. The list, maintained by the Purchasing office, should include all suppliers who have expressed interest in doing business with the government.

VIRGIN PRODUCT - A product that is made with 100 percent new raw materials and contains no recycled materials.

VOLATILE ORGANIC COMPOUNDS (VOCs) - Volatile organic compounds (VOCs) are emitted as gases from certain solids or liquids. VOCs include a variety of chemicals, some of which may have short- and long-term adverse health effects. Concentrations of many VOCs are consistently higher indoors (up to ten times higher) than outdoors. VOCs are emitted by a wide array of products numbering in the thousands.

Organic chemicals are widely used as ingredients in household products. Paints, varnishes and wax all contain organic solvents, as do many cleaning, disinfecting, cosmetic, degreasing and hobby products. Fuels are made up of organic chemicals. All of these products can release organic compounds while you are using them, and, to some degree, when they are stored.

WAREHOUSE - A building used to store inventory. Warehouses are typically single-story buildings with good transport links, containing facilities for the receipt, storage, picking and issue of goods.

WARRANTY - The representation, either expressed or implied, that a certain fact regarding the subject matter of a contract is presently true or will be true. Not to be confused with "guarantee," which means a contract or promise by one person to answer for the performance of another person.

WASTE - Waste refers to activities that do not add value. Central to the adoption of lean practices is the elimination of waste.

WORK ORDER - In contracting, a work order is a written order from the customer that informs the contractor of the tasks required to be undertaken and authorizes commencement of the work on the agreed terms.

