

Micro-Purchasing: How it Works!

Micro-purchases may be used by school food authorities (SFA's) in order to **expedite the completion of its lowest-dollar small purchase transactions** and minimize the associated administrative burden and cost (2 CFR 200.67)



Guidance

Guidance in making procurement decisions must be made in accordance with the SFAs procurement plan (2 CFR 200.318).



Forecasting

Any SFA that participates in the Child Nutrition Program(s) must **forecast** the purchases that will be made for the upcoming school year. Forecasting should also be done at any point the SFA determines it needs to procure additional food, supplies or services.

Forecasting means evaluating the expected needs for the upcoming school year, or any point in time additional food, supplies or services are needed, and determining the potential cost of each item(s) planned to be purchased.

The SFA will do this by:

1

reviewing the SFA procurement plan

2

evaluating the planned menu and operational support needs for the upcoming school year

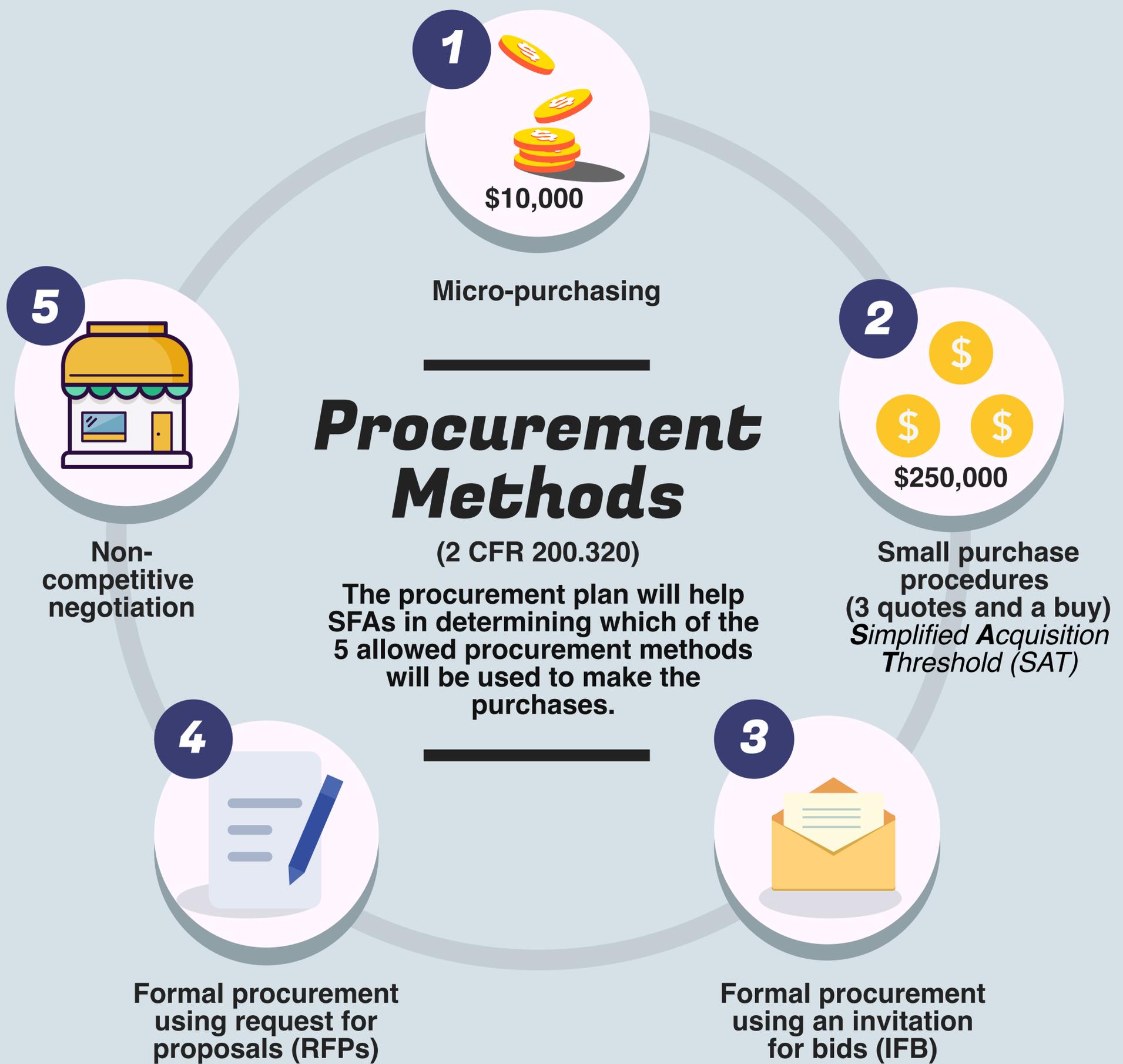
3

looking at previous years' purchases

4

determining what method(s) will allow the SFA to get the greatest quality and quantities at a price that is reasonable and fair to the SFA and the potential vendor(s).





Federal Thresholds

\$10,000

\$250,000

Micro-purchasing

is currently set at \$10,000
(2 CFR 200.67)

Small Purchase Threshold

or Simplified Acquisition Threshold (SAT),
is currently set at \$250,000 (2 CFR 200.88)

2 CFR 200.318 requires the SFA to use the most restrictive threshold applicable to that SFA.

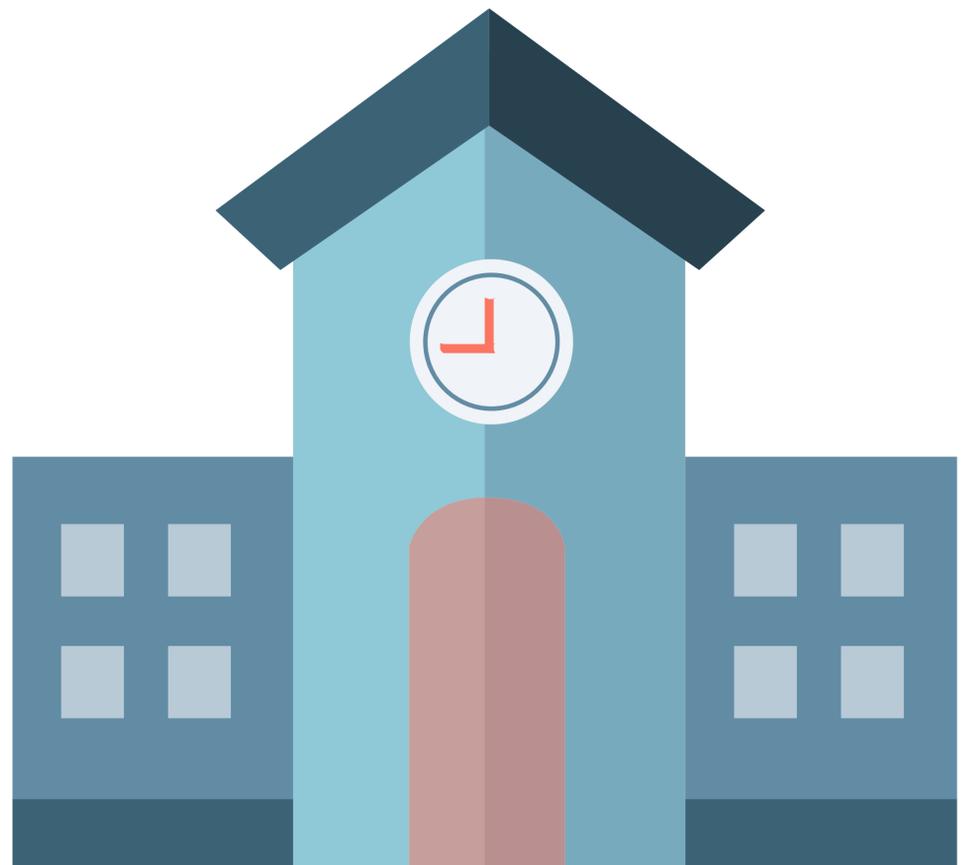
- This means the SFA must identify, if there are any local county Board of Education, thresholds that will impact the procurement process.
- These thresholds may be more restrictive (less) thresholds than the allowed Federal thresholds.
- These thresholds must be incorporated into the SFA's forecasting and procurement plan/policy. Smaller school systems frequently have lower thresholds.

Example

A local school board has established the micro-purchasing threshold at \$1,500 and the small purchase threshold at \$50,000.

Here the SFA cannot make a micro-purchase in excess of \$1,500 without obtaining price quotes from more than one source.

Any other purchase in excess of \$50,000 will require the SFA to follow a formal procurement process using either an IFB or RFP.



What governs how an SFA may use micro-purchasing?

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200.320

“Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold” (§200.67 Micro-purchase).

To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.



What does this mean?

The non-Federal entity, which for purposes of the National School Lunch Program is the SFA, may make purchases that do not exceed the defined threshold in 2 CFR 200.67 (which is currently set at \$10,000), but is subject to periodic adjustment for inflation. State or local authorities may set a lower threshold but they cannot adjust the Federal threshold for inflation.

The SFA uses such procedures in order to **expedite the completion of its lowest-dollar small purchase transactions** and minimize the associated administrative burden and cost.

What is the "aggregate dollar amount"?

The "aggregate dollar amount" for micro-purchasing is the total dollar amount of the forecasted or projected cost for all items purchased at one time.



Who is a "qualified supplier"?

A "qualified supplier" is one who has the ability to provide the product and/or service desired (being responsive) and is considered responsible (not debarred or suspended from government contracting; is in good financial standings, and demonstrates good business ethics).

Example:

An SFA wishes to purchase 10 cases of 20lb, 92 Bright, 8.5x11 inch, 500 sheets of copier paper per ream, 10 – 100 count boxes of paper clips, and 10 - 3 ring 1 inch binders.

The forecasted/projected "aggregate" cost is \$500 based on internet pricing at My Office Store. After the SFA makes its purchase the actual "aggregate" cost of the purchase was \$1400.

This is less than the current Federal micro purchase threshold of \$10,000 and did not exceed the local threshold determined to be \$1,500. This is an allowable micro purchase transaction.

There are three office supply stores in town: My Office Store, Your Office Store, and Their Office Store.

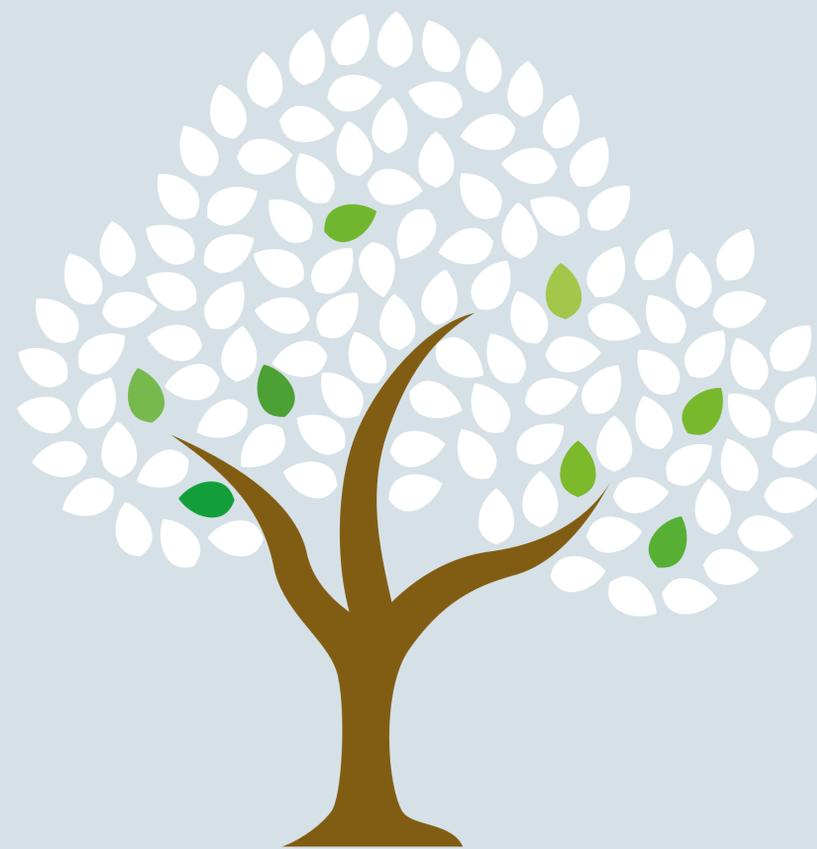
All three are "qualified suppliers" because they can be responsive (they have the products needed at reasonable prices) and they are determined to be responsible (2 CFR 210.318(h)).

Two weeks later the SFA needs to buy the same items again. According to the definition of micro-purchasing, "To the extent practicable, the non-Federal entity (SFA) must distribute micro-purchases equitably among qualified suppliers." In this case, and even if the items to be purchased were different, the SFA must make the purchases from one of the other stores.

If, however, the SFA chooses to compare prices with other vendors and the SFA considers My Office Store to have the best prices, the SFA may purchase from that store and will have done so using small purchase procedures (three quotes and a buy) (2 FR 200.320(b)), not micro-purchasing.

Example:

How does this apply to food?



An SFA uses apples in its menu on a weekly basis. The SFA is located in Northern Georgia (N.GA).

Local apples are available beginning late in the summer and early fall as freshly picked.

The SFA has determined the students prefer the “Red Delicious” variety of apples over others. The SFA would like to introduce more varieties, especially during the N.GA peak harvesting period for apples.

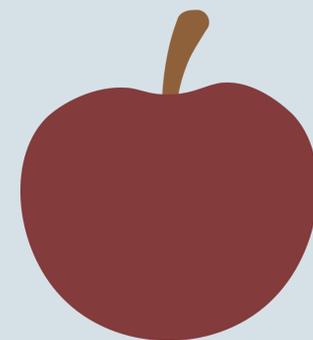


Typically, an SFA will have a produce vendor which provides most of the fresh fruits and vegetable (including apples); participates in the USDA DoD Fresh Fruit and Vegetable Program, or may receive apples as a commodity through the USDA Foods program and typically gets Washington Delicious apples.

This SFA wishes to offer a different variety each week during the N. GA. apple picking season. The SFA forecasts/projects it will cost about \$2,500 each time they wish to purchase apples not available through their normal produce distribution line.

This may be a perfect use of micro-purchasing or possibly small purchase procedures.

During the early part of the apple picking season and at the beginning of school, the SFA would like to offer the students a “Ginger Gold” apple.



It is an apple that is available early in the season (late summer, early fall), is sweet and its best use is for eating.

The SFA knows Farmer Jones grows “Ginger Gold”, “Jonagold,” and “Pink Lady” apples (all have similar traits but are harvested at different times) and Farmer Jones has an ample supply to support the SFAs needs.

However, Farmer Brown and Farmer Green also grow apples that are available during the entire harvest season and would be considered qualified vendors.

The SFA knows Farmer Jones has the Ginger Gold apples and will offer the volume the SFA needs at a reasonable price - \$3,700.



Can the SFA purchase these apples using micro-purchase procedures?

Yes, because the SFA has documented it and originally forecasted/projected that the cost would be \$2,500 and it is below the Federal threshold of \$10,000.

What if the SFA gets quotes?

If the SFA were to make a couple more phone calls, one to Farmer Brown and one to Farmer Green, the SFA may find that Farmer Green will offer the same variety of apple, in the same quantity and quality for \$2,600.

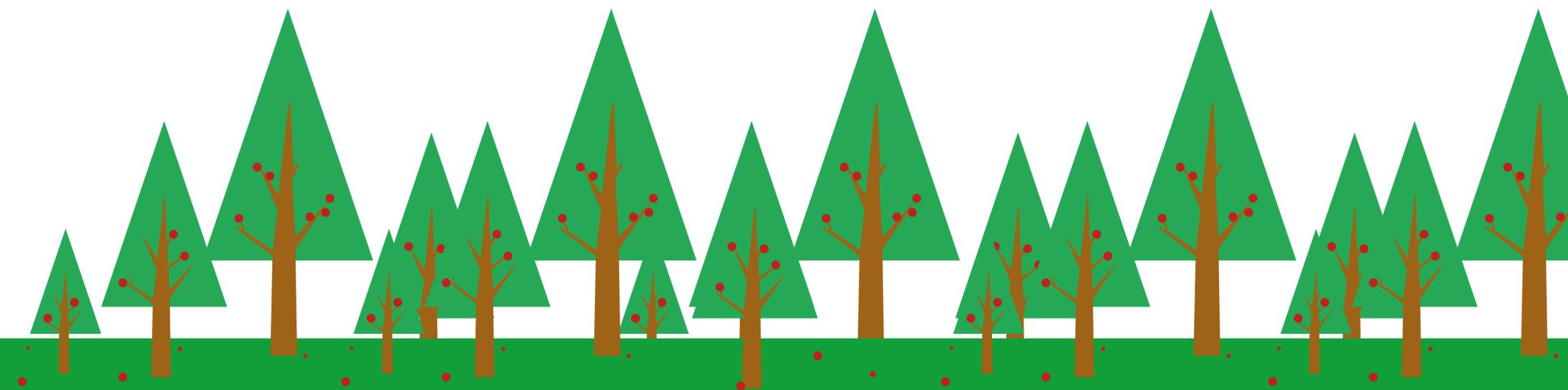
If the SFA did make the additional call, then this becomes a small purchase procedures procurement method and could save the SFA \$1,100 because the SFA took a few extra minutes to make two additional phone calls.

Micro-purchasing versus Small Purchase Procedures

Could the SFA have purchased the apples from Farmer Jones?

Yes, but only the one time because 200.320(a) requires the SFA to equitably distribute purchases and there are additional farmers available to purchase from.

Now the SFA knows Farmer Jones charges more than the forecasted amount. The SFA cannot use micro-purchasing for additional purchases from Farmer Jones because of the first purchase made.



Micro-purchasing versus Procurement by Non-competitive Bids

What if Farmer Jones is the only farmer and orchard that grows apples within a 300 mile radius from the SFA and the normal methods of acquiring apples will not or cannot provide the variety the SFA desires?

This could result in a non-competitive negotiation under the appropriate circumstances. To continue with non-competitive proposals, the SFA must take all steps:

- conducted documented research,
- has issued a formal procurement solicitation, and
- Farmer Jones is the only orchard that responds, or no one responds to the solicitation, and
- the State Agency has confirmed this situation

The SFA should then attempt to negotiate a better price with Farmer Jones.

This is not micro-purchasing.



1. Micro-purchasing would be if the SFA contacts Farmer Jones and buys the “Ginger Gold” apples needed for less than \$10,000 (or more restrictive local threshold) for the first purchase period.

2. The next purchase period, the SFA contacts Farmer Brown and buys less than \$10,000 (or more restrictive local threshold) of “Jonagold” apples.

3. For the third purchase period the SFA contacts Farmer Green and buys the “Pink Lady” apples for less than \$10,000 (or more restrictive local threshold).

The difference in apple variety is based on availability of the variety determined from the Georgia Department of Agriculture’s Georgia Grown Harvest Season chart.

The SFA has made its purchases under the current Federal threshold (\$10,000 - or more restrictive local threshold) and equitably distributed the purchase among qualified vendors.

What if there aren't enough qualified vendors to meet the SFAs procurement needs?

If Farmer Jones is the only orchard within 300 miles that meets the SFAs specifications with the variety of apples and harvest availability, the SFA must document how they have made that determination.

They will also need to document how purchasing from the next closest orchard would inflate the cost to a point that it would be considered unreasonable.

Under these circumstances, it would be allowable for the SFA to conduct multiple purchases from Farmer Jones in order to meet the specifications and needs of the SFA and its desire to offer the variety of apples during the peak harvesting season using micro-purchasing.

Conclusion

As we have seen, micro-purchasing can be a tool to aid SFAs in **expediting the completion of its lowest-dollar small purchase transactions** and reducing the burden of additional documentation when it is done correctly.

As with all procurement transactions, it is still important to remember that when purchasing for the school food service program using nonprofit school food service account funds, the SFA must ensure all procurement transactions are conducted in a manner providing full and open competition.



Georgia Department of Education School Nutrition