

# Informal Procurement Method “Three bids and a buy”

What is the “**Informal Procurement Method**”?

The Informal Procurement Method is the procurement method used when the value of an awarded contract or purchase is less than \$20,000. This \$20,000 value is called the “small purchase threshold”. Arkansas’s small purchase threshold for schools is less than the federal small purchase threshold. School districts may implement a more restrict small purchase threshold.

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

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

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

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

## **Determining if the value of a contract or purchase is less than the small purchase threshold**

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

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

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

## **Requirements for Informal Procurement Method**

The Informal Procurement Method must:

- be conducted in a manner that maximizes full and open competition [2 CFR Part 200.319];
- be awarded only to responsible contractors with the ability to perform successfully [2 CFR Part 200.318(c)(2)(h)]; and

- not be awarded on the basis of a cost plus percentage of cost or percentage of contract (2 CFR Part 200.323(d)).

With the Informal Procurement Method, all of the information relating to the solicitation and selection of a vendor must be maintained according to record retention requirements. In Arkansas, the record retention requirement is five (5) years plus the current year (or until any unresolved audit issues are resolved).

This information includes:

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

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

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

### **Step 1 – Pre-Bid Instructions**

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

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

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

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

- Contact vendors (by phone, email, fax, in person, or mail) and
- provide them with written product specifications, or

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

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

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

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

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

What is a responsive and responsible vendor?

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

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

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

#### **Resources**

- [Informal Procurement Template \(sample template with instructions\)](#)
- [Informal Procurement Method Checklist](#)

Adapted from: Wisconsin Child Nutrition