

CHAPTER 7 PROCUREMENT

Introduction

This chapter provides information on the procurement types, request process, requirements for general wear and tear repairs and capital repairs, per 7 CFR 246.6 and 246.14.

I. General Information

Procurement Types

Each procurement request shall include only one procurement type (for example, a request for authorization to procure a vehicle should not be combined with an outreach item). The different types of procurements, include:

1. Supplies

Any item with a unit cost of less than \$5,000, such as:
Cookbooks,
Breastfeeding materials,
Furniture, etc.;

2. Minor Equipment

Any item with a unit cost of at less than \$5,000, such as:
Fax machines,
Small copiers,
Televisions,
DVD/VHS machines, etc.;

3. Major Equipment

Any item with a unit cost of at least \$5,000 with a life expectancy of one year or more, such as:
Copy machines,
Phone systems,
Security systems, etc.;

4. Information Technology (IT) Equipment

Any computer hardware or computer-related peripherals, excluding software, such as:

- Workstations, network servers and laptops,
- Storage Area Network devices (SAN)
- Routers and switches
- Video conferencing equipment
- Operating systems, server or database software
- Desktop applications
- Printers
- Monitors, etc.;

5. Vehicles

6. Modular Furniture; and,

7. Other Expenses

Such as:

- Replacement carpet,
- Interior paint,
- WIC logo replacement on agency signs;
- Removable storage, etc.

Ongoing Services

A subcontract is required for any service that is provided by a vendor more than once and continues to provide it over a period of time. See CMB Chapter 8 for further information on subcontracts.

**Approval
Thresholds**

Prior State WIC Program approval is required for:

All purchases of \$5,000 or more, including purchases from WIC local agency subcontractors, require State WIC Program approval. State WIC Program approval must be obtained before procurement expenses can be invoiced. Confirm with your regional advisor that the procurement is approved before purchasing the items and submitting an invoice to the State WIC Program.

State WIC Program and USDA approval is required for:

- A. Equipment with a base unit cost of \$25,000 or more , such as vehicles and telephone systems;
- B. Information Technology (IT) equipment with a base unit cost of \$5,000 or more , such as servers and switches; and
- C. IT equipment procurement totaling \$100,000 or more (regardless of cost per individual units or components).

Approval requirements are listed in the chart below:

Type of Approval Required	None	State WIC	USDA
Total is less than \$5,000	X		
Total is \$5,000 or more		X	
Unit cost is \$25,000 or more		X	X
IT unit cost is \$5,000 or more		X	X
IT total is \$100,000 or more		X	X
Total = the total cost of the procurement request Unit cost = the cost for one component in the request			

Budget Line Items for Procurements

Procurement costs are allocated to one of two line items within a budget.

Line Item 2 – Operating Expenses: Goods and services with a unit cost of less than \$5,000 shall be allocated to line item 2 of a WIC local agency’s budget.

Line Item 3 – Capital Expenditures: Goods and services with a unit cost of \$5,000 or more and that have a useful life of more than one year, shall be allocated to line item 3 of a WIC local agency’s budget.

Obligating Funds and Procurement Deadline

For procurements to be charged to a budget year, a WIC local agency must obligate the funds no later than **September 30th** of the Federal fiscal year.

To obligate funds, a written purchase order must be sent to and approved by the vendor. A purchase estimate or bid is not considered an obligation of funds.

Denial of Procurement Reimbursement

Reimbursement for procurements may be denied if the State WIC Program or USDA determines the procurement is unallowable, unreasonable, or unnecessary.

Replacing Lost or Damaged Property

A WIC local agency is required to maintain adequate insurance to replace or repair any item identified in Local Agency Inventory System (LAIS) that has been broken, lost, stolen, or damaged beyond repair.

See CMB Chapter 10, Inventory and Management of State Property, Section III for further direction.

Tax Requirements

A local agency must maintain consistent accounting practices within its agency and shall either include or exclude taxes when determining the total cost of a procurement based on the established accounting practices of its parent agency.

II. Procurement Requirements

Submission Guidelines

A local agency must establish an ordering strategy, when purchasing items on a regular basis, that does not intentionally increase the order frequency or decrease the order amount so that the procurement total is less than \$5,000 (i.e., procurements cannot be split to avoid State or USDA approval). When purchasing multiple items from a single vendor, all items must be included in the total cost of the procurement when determining if approval is required.

Submission Methods for Procurement Requests

Procurement requests may be submitted to the WIC local agency's regional advisor by e-mail, fax, or US mail. Please call your regional advisor to confirm receipt of all requests.

Required Information

All procurement requests must include the following information:

1. The procurement request must be on WIC local agency letterhead;
2. Complete justification for the procurement (see Justification Requirements);
3. A statement verifying the procurement bidding process has been completed (see Bidding Process and Vendor Selection);
4. Where the item (s) are listed in the budget detail, and
5. The name, phone number, and fax number of the procurement contact at the WIC local agency.

Justification

Justification for a procurement request must include the following information:

1. Purpose of item (s) being purchased;
2. How the purchase supports the WIC scope of work;
3. The cost of each item as quoted by each of the three (3) bidding vendors, or the sole source condition; and

4. The total cost of the procurement and the preferred vendor.
5. Specify if the item (s) will be used for WIC purposes only or will be shared with other program (s). If shared, only the WIC percentage of use can be paid by WIC.

Information Technology (IT) and vehicle procurement requests require additional documentation as outlined in Section III of this chapter.

**Bidding Process
and Vendor
Selection**

A WIC local agency shall obtain bids from three (3) sources to assure open and free competition or a WIC local agency may apply for sole source approval (see Sole Source Approval Requirements).

Governmental WIC local agencies may use designated vendors for specific goods, services, and/or equipment.

All WIC local agencies must establish and adhere to a process that ensures ethical and thorough business practices. Additionally, all documentation used to select a vendor must be kept on file at the WIC local agency for audit purposes. These documents may be requested by the State WIC Program; however, they do **not** need to be submitted with the procurement request.

**Sole Source
Approval
Requirements**

A sole source procurement may be approved under one or more of the following conditions:

1. An item or service that is only available from one source, e.g., a company has a patent on the desired item and is the only supplier;
2. Purchase is for subscriptions, publications, or technical manuals required for the operation of the WIC Program;
3. There is a need for the continued license or maintenance of existing software, including: proprietary application or operating system software already in use, related products or software additions or changes, revisions, renamed products, bundled products, upgrades, and additional copies of installed software products for newly acquired equipment;
4. Purchase is for proprietary equipment repair parts, equipment component parts, and component parts of items currently being manufactured for resale that are only available from the manufacturer;

5. Purchase is from regulated utilities;
6. Purchase is the result of a court order or legislative mandate;
7. Purchase is based on master agreements or contracts that were originally awarded on a competitive basis; and/or
8. There is a public emergency need for the item, which will not permit the delay associated with competitive solicitation.

III. Information Technology (It) Equipment

Required Information and Justification

All requests for IT equipment must include the following information:

1. All of the requirements of a regular procurement requiring State WIC Program approval (see guidelines in Section III);
2. List other options that were considered and why this choice is the best;
3. Cost/benefit analysis;
4. Itemized description of the purchase including the following information:
 - Item(s),
 - Manufacturer(s),
 - Quantity of each item,
 - Unit price per item,
 - Delivery charges (if applicable),
 - Installation charges (if applicable),
 - Total price (sum of delivery, installation and unit price multiplied by the quantity of units purchased),
 - Total cost of the procurement,
 - If leasing, the monthly lease cost and the total lease cost;
 - WIC site(s) where equipment will be used
5. How the new IT equipment will work with existing IT systems (if applicable) and if the new IT equipment can expand or connect to other systems;
6. Whether the equipment will perform the same as the current system, perform at a higher level of efficiency, or perform new task(s);
7. If all or part of the equipment will be shared by an agency

other than WIC, include a list of the other agencies/programs and how the WIC agency's portion of the purchase/lease cost will equal WIC's use of the equipment.

IV. Vehicles

Justification

A vehicle is an allowable cost. Vehicle justifications must include the following information:

1. Description of vehicle;
2. Does the WIC local agency have any other vehicles and how does the purchase of this vehicle fit in the fleet?
3. Purpose and frequency of use;
4. Explanation of how the purchase benefits the WIC Program;
5. Will this vehicle be used by WIC only or will it be shared with other program (s)?
6. Itemized cost, attach vehicle specifications;
7. Comparison of alternative options; and
8. Associated cost/benefits.

Registration

A WIC local agency is responsible for all vehicle registration costs. The California Department of Public Health (CDPH) is the legal owner of the vehicle and the local agency is the registered owner. See CMB chapter 10 for further information.

Insurance

A local agency must obtain automobile liability insurance in the amount of \$1 million to cover both bodily injury and property damage. Insurance must be made effective on the delivery date of the vehicle and must be maintained over the life of the vehicle.

A WIC local agency must submit a copy of the certificate of automobile insurance to:

State WIC Program
State WIC Property Controller
3901 Lennane Drive
Sacramento, CA 95834

The copy of the certificate of insurance must be submitted immediately upon coverage, and 30 days prior to the expiration of the Insurance policy.

Purchase Process

Step 1:

WIC local agency submits vehicle procurement request with justification to WIC regional advisor.

Step 2:

State WIC Program reviews request and, if applicable, forwards the request to USDA for approval.

Step 3:

If additional information is required the State WIC Program will contact the WIC local agency. State WIC Program notifies the WIC local agency of decision.

Step 4:

Upon receipt of approval, the WIC local agency purchases the vehicle.

Step 5:

Auto dealer HOLDS the vehicle until registered.

Step 6:

WIC local agency registers the vehicle with the CDPH as the legal owner, and the WIC local agency as the registered owner.

Step 7:

Auto dealer releases the vehicle and the hard copy of the registration to the WIC local agency.

Step 8:

DMV mails the Certificate of Title (pink slip) to CDPH/Vehicle Services.

Step 9:

WIC local agency logs the vehicle into the Local Agency Inventory System (LAIS) and submits the following to the State WIC Property Controller:

- Certificate of insurance; and
- Copy of vehicle registration

Step 10:

WIC local agency retains copies of correspondence, bids, bill of sale, insurance certificates, registration, etc. for audit purposes.

Lease vs. Purchase

Leasing equipment that costs \$5,000 or more per year requires prior State WIC Program approval. The justification to lease must include the reason(s) leasing is the best option for the WIC Program based on the results of the lease vs. purchase analysis. A lease vs. purchase analysis must be included with the procurement request for lease approval, and must include the following information:

Lease

1. Term of the lease
2. Price of the vehicle over the term of the lease
3. Miscellaneous costs (i.e., tax, delivery, installation, etc.)
4. Total cost of lease per month, excluding maintenance

Purchase

1. Vehicle purchase price
2. Useful life
3. Miscellaneous costs (i.e., tax, delivery, installation, etc.)
4. Total cost of purchase per month, excluding maintenance

Lease with option to purchase is *NOT* an allowable cost.

V. Property Renovation

Renovation Requirements

Real Property is land and whatever is erected on or affixed to the land (i.e., buildings) ... and cannot be removed at will.

Renovations are rearrangements, alterations, and restorations of real property to make it suitable for WIC program use.

All renovations to make building space suitable for the WIC Program require both State WIC Program and USDA approval. Making capital Improvements to rental property is the **LEAST** desirable remedy for insufficient space. Local agencies must document efforts to secure alternate space by providing maps, comparison lease bids, and fair market pricing information.

The State WIC Program will not approve renovation requests to rental property unless the following safeguards are secured within the lease agreement:

1. Provision for extending the lease until the WIC Program has received full benefit from the renovation. Full benefit may be defined in terms of reasonable depreciation of the cost of the renovation, and
2. If the lease is prematurely ended prior to WIC receiving full benefit, a provision for refunding to the local agency a dollar amount representing the portion of the renovation cost from which the local agency has not yet received benefit.

Renovation Justification

Requests for renovations must include the following information:

1. All of the requirements of a regular procurement requiring State WIC Program approval (see Section III);
2. Cost/benefit analysis; and a
3. Complete Worksheet for Requests to Renovate or Repair Real Property (Attachment 7-1).

VI. Capital Repairs

Capital Repairs

Repairs that materially increase the value or the useful life of an item that costs \$5,000 or more (i.e., a major vehicle overhaul, phone system repairs, or upgrades, etc.) to restore it to their former, serviceable condition by replacing parts, repairing broken components, etc.

Justification

Requests for capital repairs must include the following information:

1. All of the requirements of a regular procurement requiring State WIC Program approval (see guidelines in Section III); and
2. Cost/benefit analysis.

VII. Procurement Examples

Tax Requirements

Example #1:

A local agency submits a procurement request for one item totaling less than \$5,000 and the local agency's parent agency does **NOT** include tax when calculating procurement totals.

$$\begin{array}{r} \text{Breastfeeding Pads @ 1.50} \\ \text{each x 3,200} \end{array} = \$ 4,800$$

$$\text{Total Cost} = \underline{\underline{\$ 4,800 \text{ (w/o taxes)}}}$$

Approval: State WIC Program approval is **NOT** required because the total cost of the procurement is less than \$5,000. State WIC Program approval is based upon the total dollar amount of all the supplies ordered.

Example #2:

A local agency submits a procurement request for the following supplies and the local agency's parent agency **DOES** include tax when calculating procurement totals.

Manual breast pumps @ \$2.50 each x 1,000	= \$ 2,500
Breastfeeding books @ \$1.20 each x 2,000	= \$ 2,400
Subtotal	= \$ 4,900
Taxes	= \$ 343
Total Cost	= \$ 5,243

Approval: Although the procurement request is less than \$5,000 **before taxes**, because the established accounting practice of the parent agency is to include taxes in procurement requests, taxes **must** be included in the total procurement amount. In this example, State WIC Program approval **is** required because the \$343 in taxes increases the total cost of the procurement to \$5,000 or more.

Submission Requirements

Example #3:

A local agency submits a procurement request for the following minor equipment from the same vendor. In this example, the local agency's parent agency DOES include tax when calculating procurement totals.

Video camera @ \$500 each x 1	= \$ 500
Color TV @ \$600 each x 7	= \$4,200
DVD Player @ \$49 each x 10	= \$ 490
Subtotal	= \$5,190
Taxes	= \$ 376
Total Cost	= \$ 5,566

Approval: In this instance, State WIC Program approval is required because the total of all items ordered from this vendor is \$5,000 or more.

Example #4:

A local agency submits a procurement request for modular furniture. A single workstation is comprised of many pieces and because all of the pieces are needed to put one workstation together, each workstation is counted as one unit. Shipping and installation charges must also be included in the total cost of the procurement. In this example, the local agency's parent agency DOES include tax when calculating procurement totals.

Modular Furniture Workstation @ \$ 1,200 each x 3	= \$ 3,600
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Shipping & Installation	= \$ 800
Subtotal	= \$ 4,400
Taxes	= \$ 319
Total Cost	= \$ 4,719

Approval: In this instance, State WIC Program approval is **not** required because the total of all items ordered from this vendor is under \$5,000.

VIII. Attachments

Worksheet for Requests to Renovate or Repair Real Property

Attachment 7-1

WORKSHEET FOR REQUESTS TO RENOVATE OR REPAIR REAL PROPERTY

Determining the Absence of Other Options

1. Why won't the landlord or the building owner renovate or repair the building as part of the rental agreement?
2. The local agency must examine the availability and cost of alternative sites that do not require renovation by obtaining relevant written estimates on comparable spaces.
3. Has the local agency obtained three construction estimates in the process of determining the projected cost of the proposed renovation or repair?
4. How does the projected cost of renovation or repair compare to the cost of alternative rental space in the proposed area? (The U.S. Department of Housing and Urban Development (HUD) maintains statistics regarding the availability and cost of rental properties nationwide.)
5. If the property is privately owned, has the landlord agreed to extend the lease until the WIC Program has received full benefit from the renovation, and amended the lease agreement to provide for a refund to the local agency for the proportionate dollar amount of the renovation cost from which the local agency did not receive a benefit?