

CHAPTER 7 PROCUREMENT

Introduction

This Chapter provides information on the process and requirements to acquire equipment, supplies, vehicles, and services for WIC local agency operations.

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 \$500, such as:
Office supplies (calculators, toner, paper, pencils),
Nutrition education materials,
Breastfeeding support items.

2. Minor Equipment

Any item with a unit cost of less than \$5,000, with a life expectancy of one year or more, such as:
Fax machines,
Small copiers,
Televisions,
DVD player, and
Telephones (SMART phones and cell phones).

3. Major Equipment

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

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, and
- Monitors.

5. Vehicles

6. Modular Furniture

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 exceeding \$2,500, including purchases by WIC local agency subcontractors, require State WIC Program approval.

The per transaction threshold (exceeding \$2,500) excludes sales and use tax, finance charges, postage and handling. Shipping charges are included in the dollar threshold limits in the evaluation.

State WIC Program approval must be obtained before procurement expenses can be invoiced. Confirm with your Contract Manager that the procurement is approved before purchasing the items and submitting an invoice to the State WIC Program.

Approval Requirements

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. 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 \$2,500 or less	X		
Total exceeds \$2,500		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			

Procurements requiring USDA approval must be received by the State WIC Program ninety (90) days prior to the end of the Federal Fiscal Year (FFY) in order to allow for adequate approval time.

Budget Line Items for Procurements

Procurement costs are allocated to one (1) of two (2) 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 (1) 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 FFY.

To obligate funds, a written purchase order must be received and approved by the vendor prior to the end of the FFY. 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 to be 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 the 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.

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 \$2,500 or less (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 State WIC Program Contract Manager by e-mail, fax, or US mail. Please confirm receipt of all requests with your Contract Manager.

Required Information

All procurement requests must be submitted to the Contract Manager, in writing, on local agency letterhead and include the following information:

1. A description of the item(s), with clear specifications;
2. Complete justification for the procurement (see Justification Requirements in this Section);
3. A statement verifying the procurement bidding process has been completed along with a copy of each bid (see Bidding Process and Vendor Selection and Non-Competitive Bid Approval Requirements in this Section);
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 Requirements

Justification for a procurement request must include the following information:

1. Purpose of item(s) being purchased and how it supports the WIC scope of work;
2. The cost of each item as quoted by each of the three bidding vendors, or the non-competitive bid condition; and
3. The total cost (excludes sales and use tax, finance charges, postage and handling; includes shipping charges) of the procurement and the selected vendor.
4. 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 reimbursed 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 request non-competitive bid approval (see Non-Competitive Bid Approval Requirements in this Section).

Governmental WIC local agencies may use authorized parent agency 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. A WIC local agency must obtain three (3) bids from three (3) different sources for procurements. This information must be submitted to the State WIC Program along with the procurement request.

Additionally, all documentation used to select a vendor must be kept on file at the WIC local agency for audit purposes for a minimum of three (3) years following the date of submission of the final expenditure report for the period to which the records pertain.

**Non-Competitive
Bid Approval
Requirements**

A non-competitive bid (previously known as “sole source”) procurement may be approved under one (1) 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;
8. There is a public emergency need for the item, which will not permit the delay associated with competitive solicitation; and

9. The governmental parent agency has a contract with a specific vendor. If the parent agency has more than one (1) vendor who can sell the same product or service, then all related vendor bids would need to be submitted with the procurement.

III. Information Technology (IT) Equipment

Required Information and Justification

All requests for IT equipment must include the following information:

1. The same requirements listed for a non-IT procurement requiring State WIC Program approval (see guidelines in this Chapter, Section II);
2. List other technology solutions/options that were considered and why this choice is the best;
3. Itemized description of the purchase including:
 - 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;
4. How the new IT equipment will work with the existing IT systems (if applicable) and if the new IT equipment can expand or connect to other systems;
5. Whether the equipment will perform the same as the current system, perform at a higher level of efficiency, or perform new tasks;
6. 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 local agency's portion of the purchase/lease cost will equal WIC's use of the equipment.

IV. Vehicles

Required Information and Justification

All requests for vehicles must include the following information:

1. The same requirements for a procurement requiring State WIC Program approval (see guidelines in this Chapter, Section II);
2. Description of vehicle including specifications;
3. Comparison of alternative options;
4. A listing of the WIC local agency's other vehicles and a summary of how the purchase of this vehicle supplements the fleet;
5. Explanation of how the purchase benefits the WIC Program including purpose, benefit, and frequency of use; and
6. Clarification if the vehicle will be used by WIC only or if it will be shared with other program(s). If it will be shared, include a cost agreement or Memorandum of Understanding.

Registration

A WIC local agency is responsible for the cost of vehicle registration. The California Department of Public Health (CDPH) must be listed as the legal owner of the vehicle. The WIC local agency must be listed as the registered owner. See CMB Chapter 10, Section V, Vehicle Acquisition for further information.

Insurance

A WIC local agency must obtain automobile liability insurance in the amount of at least \$1,000,000 per occurrence for bodily injury and property damage combined. Insurance must be effective upon the vehicle delivery date 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
Attention: State WIC Property Controller
3901 Lennane Drive
Sacramento, CA 95834

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

Purchase Process

Step 1:

The WIC local agency submits a vehicle procurement request with justification to the WIC Contract Manager.

Step 2:

The State WIC Program reviews the 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. The State WIC Program will notify the WIC local agency of a decision.

Step 4:

Upon State WIC Program approval, the WIC local agency will purchase the vehicle.

Step 5:

The auto dealer HOLDS the vehicle until registered.

Step 6:

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

Step 7:

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

Step 8:

The Department of Motor Vehicles mails the Certificate of Title (pink slip) to CDPH/Vehicle Services:

California Department of Public Health
Vehicle Services MS 1801
P.O. Box 997377
Sacramento, CA 95899-7377

Step 9:

The 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:

The WIC local agency shall retain copies of correspondence, bids, bill of sale, insurance certificates, registration, etc. for audit purposes for a minimum of three (3) years following the date of submission of the final expenditure report for the period to which the records pertain.

Lease vs. Purchase Leasing equipment with a cost exceeding \$2,500 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., delivery, installation, etc.)
4. Total cost of purchase per month, excluding maintenance

Lease with option to purchase is NOT an allowable cost.

Travel Logs and Maintenance

Refer to CMB Chapter 10, Section VI. Vehicle Use.

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. WIC 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.

**Required
Justification**

Requests to renovate must include the following information:

1. All of the requirements of a regular procurement requiring State WIC Program approval (see guidelines in this Chapter, Section II);
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 with a cost of \$5,000 or more (i.e., a major vehicle overhaul, phone system repairs, or upgrades, etc.) to restore it to the 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 procurement requiring State WIC Program approval (see guidelines in this Chapter, Section II); and
2. Cost/benefit analysis.

VII. Procurement Examples

Example 1

A local agency submits a procurement request for one item totaling \$2,500 or less.

Breastfeeding Pads @ 1.50 each x 1,600	= \$ 2,400
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Total Cost	= \$ 2,400

Approval: State WIC Program approval is **NOT** required because the total cost of the procurement does not exceed \$2,500. 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 minor equipment from the same vendor.

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

Approval: In this instance, State WIC Program approval is required because the total of all items ordered from this vendor exceeds \$2,500.

Example 3

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.

Modular Furniture Workstation @ \$2,200 each x 1	= \$2,200
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Shipping	= \$315
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Subtotal	= \$2,515
Taxes	= \$201
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Total Cost	= \$2716

Approval: In this instance, State WIC Program approval is required because the subtotal of the items ordered including shipping exceeds \$2,500.

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 lease agreement?
2. Examine the availability and cost of alternative sites that do not require renovation by obtaining relevant written estimates on comparable spaces and provide the documentation to the State WIC Program.
3. Obtain three (3) construction estimates 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 maintains statistics regarding the availability and cost of rental properties nationwide.)
5. Has the landlord agreed to the lease terms so that the WIC Program receives full benefit from the renovation? The landlord must amend 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.