Study of School Food Authority (SFA) Procurement Practices

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF EXHIBITS

GLOSSARY

Term	Definition
Agent	An agent is a person or business authorized to act on a client's behalf. An agent may be necessary for procuring goods or services when/if the client does not have the necessary technical understanding of the equipment, service, food, or other food service supplies to be purchased; or lacks time or expertise to conduct a proper procurement. This agent represents a special fiduciary relationship of trust between itself and its client. In other words, the agent must be contractually required to conduct all competitive procurement methods with its client's interests solely in mind. An agent's services in excess of the micro-purchase threshold (currently set at $10,000) must be competitively procured in accordance with Federal procurement methods outlined in 2 CFR 200.320.
Buy American provision	The Buy American provision in section 12(n) of the National School Lunch Act and codified in 7 CFR 210.21(d), requires a school food authority (SFA) to purchase, to the maximum extent possible, domestic commodities and food products. A domestic commodity or food product means an agricultural commodity that is processed in the United States and/or a food product that is processed in the United States substantially using agricultural commodities that are produced in the United States.
Child and Adult Care Food Program (CACFP)	The Child and Adult Care Food Program (CACFP) is a Federal program codified in 7 CFR 226, that provides reimbursements for nutritious meals and snacks served to eligible children and adults who are enrolled for care at participating childcare centers, family day care homes, and adult day care centers. CACFP also provides reimbursements for meals served to children and youth participating in afterschool care programs, children residing in emergency shelters, adults older than age 60, or adults living with a disability and enrolled in day care facilities.
Competitive proposal method	The competitive proposal in 2 CFR 200.320(d) is a procurement method accomplished using a Request for Proposal (RFP), a technical proposal that explains the specifications, terms, and conditions for how the prospective suppliers will meet the proposal objectives, and that outlines the required costs to accomplish the technical proposal. While price alone is not the sole basis for award, price remains the primary consideration when awarding a contract under the competitive proposal method. This method is normally conducted with more than one source submitting an offer and either a fixed-price or cost-reimbursement contract is awarded.

Term	Definition
Competitive sealed bid method	The competitive sealed bid method found in 2 CFR 200.320(c) is one formal method of procurement used to solicit prices for specified goods and services. An invitation for bid (IFB) is used to identify the specifications, terms, and conditions in order for bidders to properly respond. This method results in the award of a fixed-price contract to the responsible bidder whose bid is responsive to the IFB requirements and is lowest in price. The IFB must be publicly advertised and bids must be petitioned from an adequate number of known suppliers, providing enough time for suppliers to prepare responses prior to the bid opening. Bids are opened at the time and place prescribed in the IFB, and for local and tribal governments, the bids must be opened publicly.
Cost-reimbursable contract	A cost-reimbursable contract means a contract that provides for payment of incurred costs to the extent prescribed in the contract, with or without a fixed.[1] For example, a food service management company (FSMC) will bill the SFA when allowable costs are incurred for a specific billing cycle within the contract duration period. This type of contract may (or may not) include a fixed fee for management services or administrative services, or this type of contract may include delivery fees to the extent prescribed in the contract.
Direct discount	Under this system, the processor must sell end products to the distributing or recipient agency, as appropriate, at a net price that incorporates a discount from the commercial case price for the value of donated food contained in the end products.

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[1] Cost-reimbursable contracts have specific Federal requirements in which SFAs must include specific provisions such as the following: (1) All costs will be paid from the school's nonprofit school food service account after all discounts, rebates, and other credits have been applied; (2) the contractor must identify all allowable costs (from the nonprofit school food service account) and unallowable costs must be identified in invoices or the contractor must remove from billing document; (3) the contractor must follow Office of Management and Budget guidelines for allowable costs; (4) the contractor must have a method to report discounts, rebates, and credits; and (5) the contractor must maintain documentation of costs, discounts, and rebates.

Term	Definition
Fee-for-service	(1) Under this system, the processor must sell end products to the distributing or recipient agency, as appropriate, at a fee-for-service, which includes all costs to produce the end products not including the value of the donated food used in production. Three basic types of fee-for-service are used: (i) Direct shipment and invoicing from the processor to the recipient agency; (ii) Fee-for-service through a distributor, where the processor ships multiple pallets of product to a distributor with a breakout of who owns what products; and (iii) What is commonly known as Modified Fee-for-service, when the recipient agency has an authorized agent bill them for the total case price. (2) The processor must identify any charge for delivery of end products separately from the fee-for-service on its invoice. If the processor provides end products sold under fee-for-service to a distributor for delivery to the distributing or recipient agency, the processor must identify the distributor's delivery charge separately from the fee-for-service on its invoice to the appropriate agency or may permit the distributor to bill the agency separately for the delivery of end products. The processor must require that the distributor notify it of such sales, at least on a monthly basis, through automated sales reports, email, or other electronic or written submission. When the recipient agency procures storage and distribution of processed end products separately from the processing of donated foods, the recipient agency may provide the distributor written approval to act as the recipient agency's authorized agent for the total case price (i.e., including the fee-for-service and the delivery charge), in accordance with 7 CFR 250.11(e).
Fixed-price contract	The price for goods and/or services is determined and "fixed" (i.e., it does not change) at the start of a contract and maintained through the duration of the contract. An example of a typical fixed-price contract for an SFA may include goods with fixed costs such as a bid for perishable and nonperishable foods, small wares, or kitchen supplies and equipment.
Fixed-price with economic price adjustment contract	Fixed-price contracts that include an economic price adjustment tied to a standard index such as the Consumer Price. Once the specified fixed-price period ends, a written request for a price adjustment (s) is made to the SFA with the proposed new fixed-price (s) calculated using the specified index. If approved by the SFA, once this fixed-price period ends, the process may be repeated, to the extent prescribed in the contract. An SFA could use this contract type for goods that may fluctuate in price such as for dairy products or fresh produce.
Food Service Management Company (FSMC)	A FSMC is a commercial enterprise or a nonprofit organization which is or may be contracted with the SFA to manage any or all aspects of the school food service.

Term	Definition
Forward contracts	Forward contracts are established when the cost, terms, and conditions of goods or services are agreed to before the goods or services are produced. School food programs typically use forward contracts for procuring unprocessed locally grown or locally raised agricultural products from local sources (e.g., farmers) before the growing season.[2] This contract structure is advantageous to both farmers and SFAs, as farmers can appropriately plan harvests to supply the specified produce to SFAs, and it allows SFAs to secure produce upon maturity.
Formal procurement	Formal procurement is the process of using competitive sealed bids or competitive proposals when the value of purchases exceed the allowable dollar value, known as the simplified acquisition threshold or the small purchase threshold, established at the Federal, State, and local levels. An IFB and a RFP are the two formal solicitation documents used by SFAs.
Fresh Fruit and Vegetable Program (FFVP)	The Fresh Fruit and Vegetable Program (FFVP) is a Federally assisted program that provides free fresh fruits and vegetables to children at eligible elementary schools during the school day. The goal of the FFVP is to introduce children to fresh fruits and vegetables, to include new and different varieties, and to increase overall acceptance and consumption of fresh, unprocessed produce among children.
Geographic preference	A SFA participating in the National School Lunch Program (NSLP), as well as State Agencies making purchases on behalf of such SFAs, may apply a geographic preference when procuring unprocessed locally grown or locally raised agricultural products and determine the local area to which the purchase applies.

"Unprocessed locally grown or locally raised agricultural products" means only those agricultural products that retain their inherent character. In this definition, the effects of food handling and preservation techniques are not considered as changing an agricultural product into a product of a different kind or character, as explained in 7 CFR 210.21(g)(2). |
| **Informal procurement** | Informal procurement is accomplished using either of two procurement methods—micro-purchase method or small purchase procedures— for purchases below the applicable threshold's dollar value (the micro-purchase threshold or simplified acquisition threshold, commonly known as the small purchase threshold respectively). Thresholds are established at the Federal, State, and local levels. The Federal micro purchase threshold is currently set at $10,000 and the Federal simplified acquisition threshold is currently set at $250,000. The most restrictive Federal, State, or local thresholds apply. |

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[2] USDA, FNS. (2014). *Finding, buying, and serving local foods. Using forward contracts* [webinar].
   https://www.fns.usda.gov/cfs/finding-buying-and-serving-local-foods-using-forward-contracts

Term	Definition
Invitation for bid (IFB)	An IFB is a publicly advertised bid document explaining the specifications, terms, and conditions of the goods and services required so potential bidders can properly respond. Bids are opened at the time and place prescribed in the IFB, and for local and tribal governments, the bids must be opened publicly.
National School Lunch Program (NSLP)	The NSLP is a Federally assisted school meal program codified in 7 CFR 210 that operates in public and nonprofit private schools and residential childcare institutions. The NSLP provides nutritionally balanced, low-cost or free lunches to children each school day.
Net-off invoice (indirect discount)	Indirect discount, or net-off invoice, is one of the methods of end product sales, also known as value pass through systems in 7 CFR 250.36(d). Using this method, a processor delivers end products to a commercial distributor, which must sell the end products to an eligible distributing or recipient agency, as appropriate. The net price incorporates a discount from the processor's commercial case price for the value of donated food contained in the end products. The processor must require the distributor to notify it of such sales, at least on a monthly basis, through automated sales reports or other electronic or written submission. The processor then compensates the distributor for the discount provided for the value of the donated food in its sale of end products. Recipient agencies monitor invoices to ensure correct discounts are applied.
Piggy-back	Piggy-back occurs when a SFA includes a provision in its procurement method extending the contract to additional parties. The provision includes applicable limitations on the dollar value or number of additional parties buying under the same specifications, terms, conditions, and prices of the contract.
Procurement	Procurement is the process of competitively obtaining goods and services from the lowest responsive and responsible bidder/offeror most advantageous to the Program, with price as the primary factor. The steps in a compliant competitive procurement process include planning; forecasting; writing clear and accurate descriptions/specifications, terms, conditions, and evaluation and scoring criteria for evaluating bids/responses for contract award; publishing/advertising solicitations; evaluating bids/responses; awarding contracts; and monitoring and addressing contractor performance. A procurement process must be conducted in compliance with Federal, State, and local procurement standards to be paid for with Program funds.

Term	Definition
Refund or rebate	Under this system, the processor sells end products to the distributing or recipient agency, as appropriate, at the commercial, or gross, price and must provide a refund or rebate for the value of the donated food contained in the end products. The processor may also deliver end products to a commercial distributor for sale to distributing or recipient agencies under this system. In both cases, the processor must provide a refund to the appropriate agency within 30 days of receiving a request for a refund from that agency. The refund request must be in writing, which may be transmitted via email or other electronic submission.
Request for proposal (RFP)	A RFP is the publicized document used for the competitive proposal method to solicit proposals from an adequate number of qualified sources and uses a written method for conducting technical evaluations of the proposals received and for selecting recipients. The document identifies the goods and services needed and all significant evaluation factors and their relative importance. Price alone is not the sole basis for contract award, price remains the primary consideration. Once supplier proposals are received and evaluated, negotiations may be conducted with more than one of the proposal sources, after which either a fixed-price or cost reimbursable contract is awarded. Any response to a publicized RFP must be considered to the maximum extent practical.
School Breakfast Program (SBP)	The School Breakfast Program (SBP) codified in 7 CFR 215 provides reimbursement to states to operate nonprofit breakfast programs in schools and residential childcare institutions.
School Food Authority (SFA)	A School Food Authority (SFA) is a governing body responsible for the administration of Programs in one or more schools and has the legal authority to operate Child Nutrition (CN) Programs in accordance with regulations.
Summer Food Service Program (SFSP)	The Summer Food Service Program (SFSP) is a Federally funded, state-administered program codified in 7 CFR 225. SFSP reimburses program operators who serve free healthy meals and snacks to children and teens in low-income areas during the summer months when school is not in session.
Third-Party entities	Third-Party entities are categorized as (1) CN Program cooperative of Program operators or with the CN State Agency; (2) an inter-agency agreement; and (3) a group purchasing entity, buying organization, or third-party entity. Third-party entity agreements may entail an overhead fee or administrative costs, and Program operators may use the prices from these sources as one source when conducting small purchase procedures and publishing sealed bids/competitive proposals.
USDA Foods	USDA Foods supports domestic nutrition programs and American agricultural producers through Federal purchases of domestic agricultural products for use in meals served by schools, sponsors, and institutions participating in NSLP, CACFP, and SFSP.

Term	Definition
Value pass-through system	The value pass-through system or methods of end-product sales, in 7 CFR 250.36, are the methods used to credit for the value of donated foods contained in processed end products sold to State distributing or recipient agencies. The methods for crediting are refund or rebate, direct discount, indirect discount, and fee-for-service. All systems of sales utilized must provide a clear documentation of crediting for the value of the donated foods contained in the end products.
Velocity report	A velocity report is a document generated by the distributor and tracks the volume of products and how often a product is ordered.

Sources:

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FNS (2016). *Q&A: Purchasing Goods and Services Using Cooperative Agreements, Agents, and Third-Party Services* [memo]. https://fns-prod.azureedge.net/sites/default/files/cn/SP05_CACFP03_SFSP02-2017os.pdf

School Nutrition Association. (n.d.) *The School Nutrition Procurement Toolkit: Your key to running a more efficient program*. http://procurement.schoolnutrition.org/glossary

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EXECUTIVE SUMMARY

The U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) administers the Child Nutrition (CN) Programs, including the National School Lunch Program (NSLP), School Milk Program (SMP), School Breakfast Program (SBP), Child and Adult Care Food Program (CACFP), and Summer Food Service Program (SFSP). FNS provides oversight, guidance, and technical assistance to the State Agencies administering CN Programs at the State level. State Agencies are responsible for ensuring that School Food Authorities (SFAs) comply with all program regulations by performing administrative reviews and procurement reviews and SFAs are responsible for the procurement of foods, goods, and services for their school meals and for feeding children. SFAs can encompass a single school, multiple schools, an entire school district, or multiple school districts.

The *Study of School Food Authority (SFA) Procurement Practices* is the first FNS study to comprehensively describe and assess the decision-making process of SFAs regarding their school food procurement practices. Procurement is a process by which goods and services are obtained and is a technical and oftentimes complex operation that can require the SFA to coordinate with multiple stakeholders including schools, local and State Agencies, and third-party entities.

This study has four research objectives:

Objective 1: Identify and describe the various means through which SFAs develop and publish solicitations, evaluate and award contracts, and monitor contractor performance for all school food purchases (i.e., goods and services paid from the nonprofit food service account, including but not limited to USDA Foods and commercial goods and services).

Objective 2: Identify and describe the rationale, procedures, and recordkeeping practices used by SFAs with respect to their contracts with Food Service Management Companies (FSMCs).

Objective 3: Identify and describe the forms of group purchasing efforts (e.g., cooperatives, agents, and third-party entities) SFAs use to purchase goods and services.

Objective 4: Assess the availability of State Agency-provided technical assistance and training resources and assess the strengths and weaknesses of SFAs with respect to procurement-related expertise to develop solicitation and contract documents, evaluate bids/responses, negotiate terms and conditions, and conduct contract oversight.

The study addressed the four research objectives by collecting information from SFAs using a web-based survey of a nationally representative sample of SFAs, followed by interviews with a subset of SFAs that completed the survey. The following section presents the key findings and considerations per procurement topic of the participating SFAs' surveys responses and interviews.

Key Findings

Procurement Planning

The procurement planning phase involves multiple steps and considerations to develop an effective and cost-efficient approach for SFAs operating school programs. Prior to executing any procurement, an SFA considers external and internal factors that impact the procurement needs for its school food program,

such as personnel and equipment needs, SFA or school size, foods and ingredients needed for planned menus, and regulatory requirements. When asked about priorities that shaped the SFA's approach to procurement, more than three out of four SFAs (76.0 percent) indicated their procurement approach was based on their menu items and food variety needs (Exhibit 1). A large proportion of SFAs (65.3 percent) reported regulatory meal pattern requirements impacted their procurement approach. More than half of all SFAs selected food service operations (54.9 percent), CN Program participation rates (52.0 percent), and food service equipment and supply needs (50.5 percent) as priorities that influence the procurement approach.

Exhibit 1. Priorities that Shaped SFA Procurement Approach
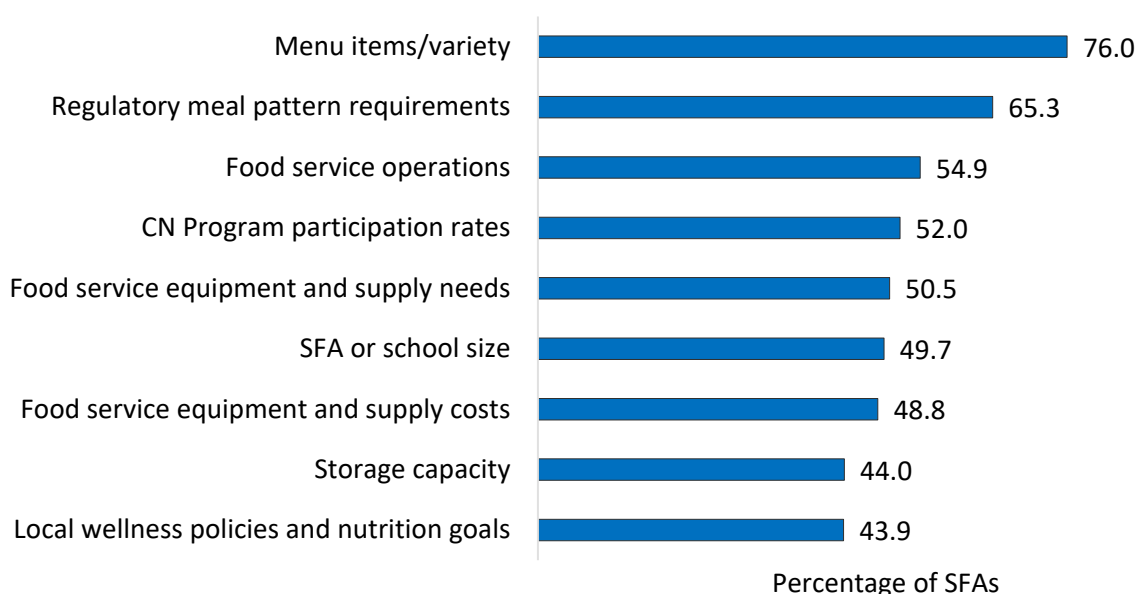
Priority	Percentage
Menu items/variety	76.0
Regulatory meal pattern requirements	65.3
Food service operations	54.9
CN Program participation rates	52.0
Food service equipment and supply needs	50.5
SFA or school size	49.7
Food service equipment and supply costs	48.8
Storage capacity	44.0
Local wellness policies and nutrition goals	43.9

Percentage of SFAs

Source: Table 2.1. Priorities Shaping Approach to Procurement, by SFA Size in Appendix E.

SFAs identify the type of contract to award and the procurement method prior to finalizing the solicitation. Allowable contract types are fixed-price or fixed-price with an economic adjustment tied to a standard index, cost-reimbursable with fixed-fee, and cost-reimbursable (no fixed fee).

When deciding the type of contract to award for goods or services needed, the top factor that influenced SFAs' decisions was estimated cost (31.4 percent) (Table 3.9 in Appendix E). The other leading factors that influenced SFAs in decisions were service quality (21.2 percent), and product consistency (17.3 percent). More than half of SFAs (57.6 percent) reported awarding fixed-price contracts (Table 3.7.A in Appendix E), which aligns with estimated cost reported as the top factor influencing the type of contract selected. When asked about procurement methods, more SFAs used small purchase procedures (56.8 percent) compared to other methods, closely followed by sealed bids (50.0 percent), competitive proposals (48.8 percent), and micro-purchases (47.0 percent) (Table 3.1.A in Appendix E). Similar to contract type decisions, estimated cost was the top factor influencing the procurement method selected, followed by specific standards that need to be met for the CN Programs, foods available, and purchase quantity (Exhibit 2). Supporting this finding, SFAs revealed in in-depth interviews that estimated costs and prices drive selected procurement methods.

Exhibit 2. Factors Influencing Procurement Method

Factor	Percentage
Estimated cost	63.1
CN Program standards	59.9
Foods available	47.6
Purchase quantity	41.5
Product standards	38.2
Preapproval of vendor by State Agency or USDA	36.2
SFA/school district size	32.6
State regulations	32.2
Desired brands available	31.8

Percentage of all SFAs
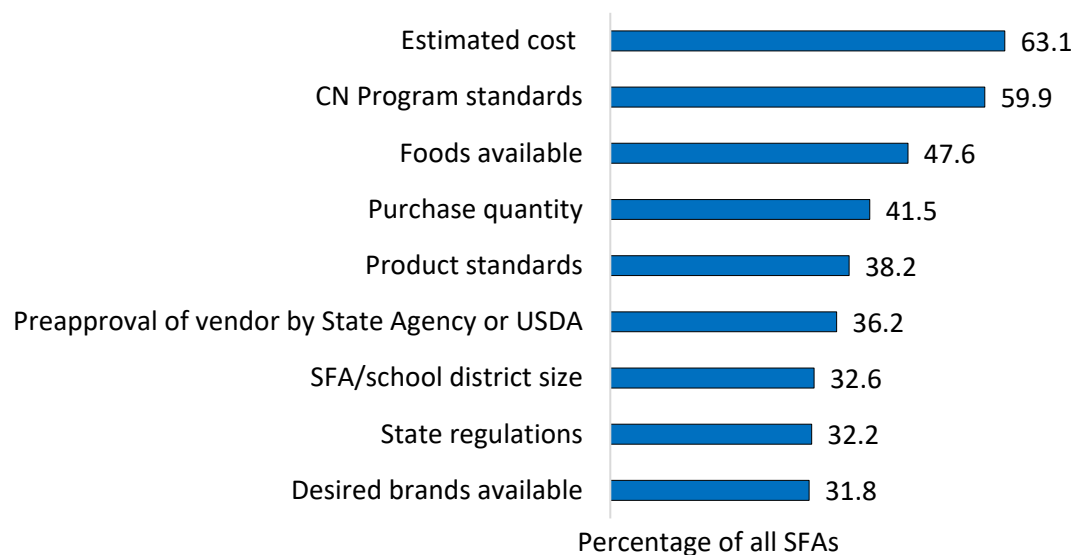
Source: Table 3.2.A. Factors Influencing Procurement Method, by SFA Size in Appendix E.

Developing and publishing a procurement document, such as an IFB or RFP, is a complex process that involves determining SFAs' current procurement needs, identifying the appropriate procurement method and contract type, and developing a clear and accurate description of the technical requirements for the materials, products and services to be procured, all requirements which the offerors must fulfill, and all other factors to be used in evaluating bids or proposals. SFAs involved in drafting such documents reported that good product specifications included quality, serving size, volume, and key nutritional information, such as sodium content. Once the document is advertised/published and bids/proposals are received, the SFA will evaluate and award the contract. Approximately one-quarter of SFAs that were interviewed did not analyze costs for some solicitations before publishing them.

The decision-making process for procurement involves multiple stakeholders, both internal and external, to fulfill the SFA's procurement needs and timelines. To ensure free and open competition and that Federal, State, and local rules and regulations are followed, SFAs provide a level of oversight and monitoring of the staff during the evaluation and contract award process. When monitoring staff, the most commonly reported mechanisms were: 1) examine RFP or IFB evaluation criteria and results (47.0 percent) and 2) review procurement plans (39.2 percent) (Exhibit 3). Notably, 16.7 percent of SFAs reported that they did not monitor staff as they make contract award decisions.

Exhibit 3. Documents Used to Monitor Contract Award Decisions
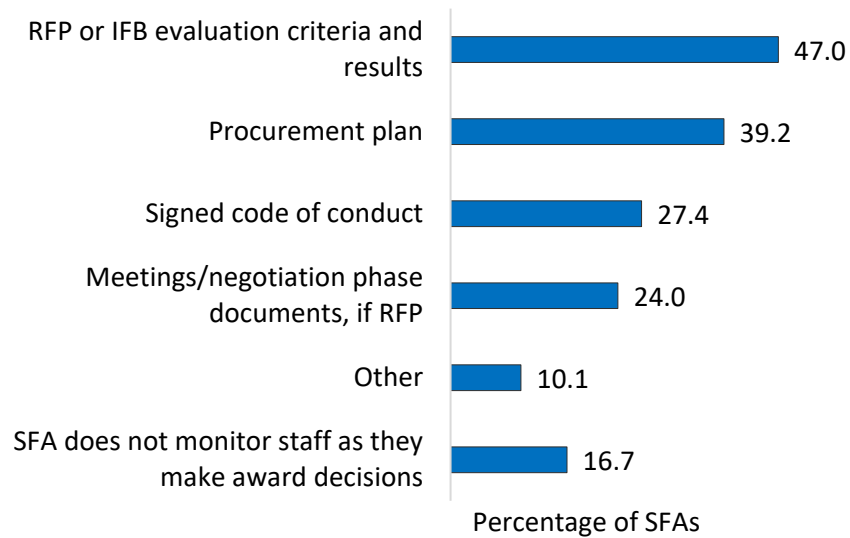
Category	Percentage
RFP or IFB evaluation criteria and results	47.0
Procurement plan	39.2
Signed code of conduct	27.4
Meetings/negotiation phase documents, if RFP	24.0
Other	10.1
SFA does not monitor staff as they make award decisions	16.7

Percentage of SFAs

Sources: Study of School Food Authority (SFA) Procurement Practices Survey, question 4.6; Table 3.14 Documents Used to Monitor Contract Award Decisions, by SFA Size in Appendix E.

Contract Monitoring

After the contract is awarded, the SFA monitors the contractor's performance using a variety of methods. SFAs frequently cited monitoring contractor post-award performance by examining goods, services, invoices, documentation provided by the contractor (68.5 percent) and reported confirming receipt with the individuals responsible for receiving goods and services (51.7 percent) (Exhibit 4). Additional monitoring techniques identified during the interviews included assessing timeliness of deliveries, evaluating product quality, and observing and tracking performance. Additionally, SFAs revealed they use a collaborative monitoring approach when engaging with group purchasing entities. For example, SFAs indicated they were able to voice concerns about a contractor to the group purchasing entity, and the group purchasing entity resolved the concern with the contractor.

Exhibit 4. Contract Performance Monitoring Methods
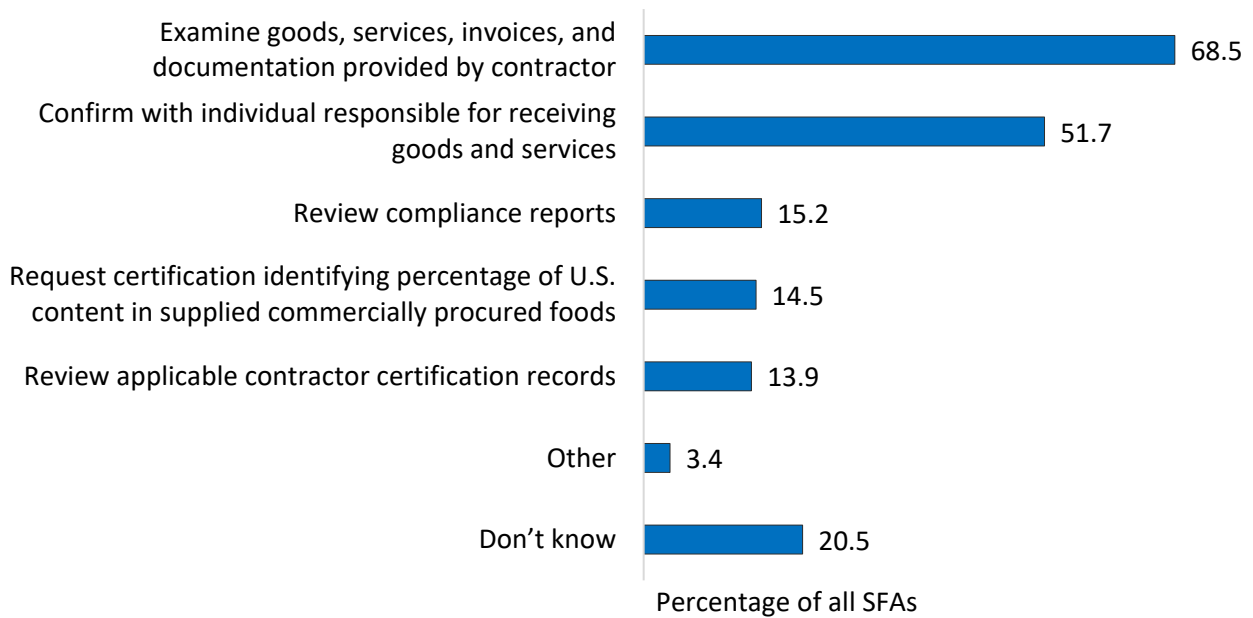
Method	Percentage
Examine goods, services, invoices, and documentation provided by contractor	68.5
Confirm with individual responsible for receiving goods and services	51.7
Review compliance reports	15.2
Request certification identifying percentage of U.S. content in supplied commercially procured foods	14.5
Review applicable contractor certification records	13.9
Other	3.4
Don't know	20.5

Percentage of all SFAs

Source: Table 4.1.A. Contractor Performance Monitoring Methods, by SFA Size in Appendix E.

SFAs also reported how they verified a domestic product received was the same as it was solicited and awarded. The majority of SFAs (58.1 percent) primarily examined foods and food products provided by the contractor and 43.9 percent of SFAs confirmed with the individual responsible for receiving the food product (Table 4.3.A in Appendix E). SFAs also conducted contract monitoring by tracking discounts, rebates, and credits in cost-reimbursable contracts and by reviewing for accounting errors using various methods. Most SFAs (74.3 percent) used invoices for expenses to track discounts and rebates, while using an electronic accounting system was rarer (38.7 percent) (Exhibit 5).

Exhibit 5. Popular Methods to Track Discounts, Rebates, and Credits for Commercially Purchased Foods in Cost-Reimbursable Contracts

74% of SFAs use invoices for expenses

26% of SFAs use velocity reports or sales

39% of SFAs use an electronic accounting system

26% of SFAs use other contract procedures

37% of SFAs use profit and loss statements

21% of SFAs use a broker/ manufacturer recordkeeping method
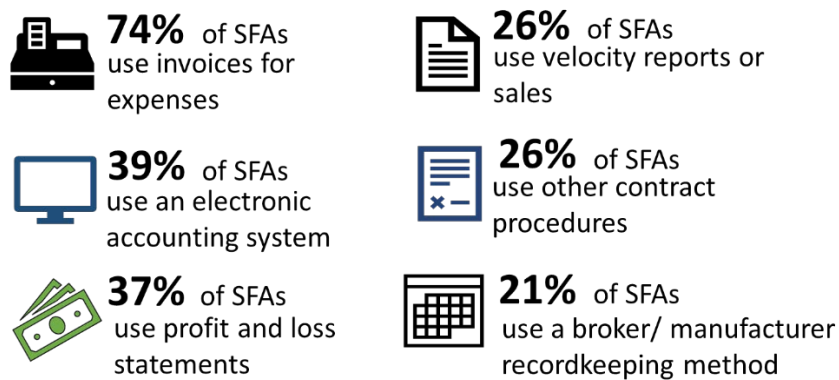
Source: Table 4.4.A. Records and Methods Used to Track Discounts, Rebates, and Credits for Commercially Purchased Foods in Cost-Reimbursable Contracts, by SFA Size in Appendix E.

To ensure compliance with the Buy American provision, 48.9 percent of SFAs included the Buy American clause for food and food products in bid solicitations and 47.6 percent examined food product packaging. Further, 82.9 percent of very large SFAs reported that they include the Buy American clause in bid documents for food compared to only 35.6 percent of small SFAs (Table 4.2 in Appendix E).

Sourcing

During SY 2017–18, SFAs sourced goods and services in various ways, including through FSMCs and group purchasing entities. Among the 26.2 percent of SFAs currently using FSMCs, more than half (51.0 percent) used the FSMCs to manage all of their procurement activities (Tables 7.1.A and Table 7.2.A in Appendix E and Exhibit 6).

Exhibit 6. Percentage of SFAs Reporting How FSMCs Manage Aspects of Procurement
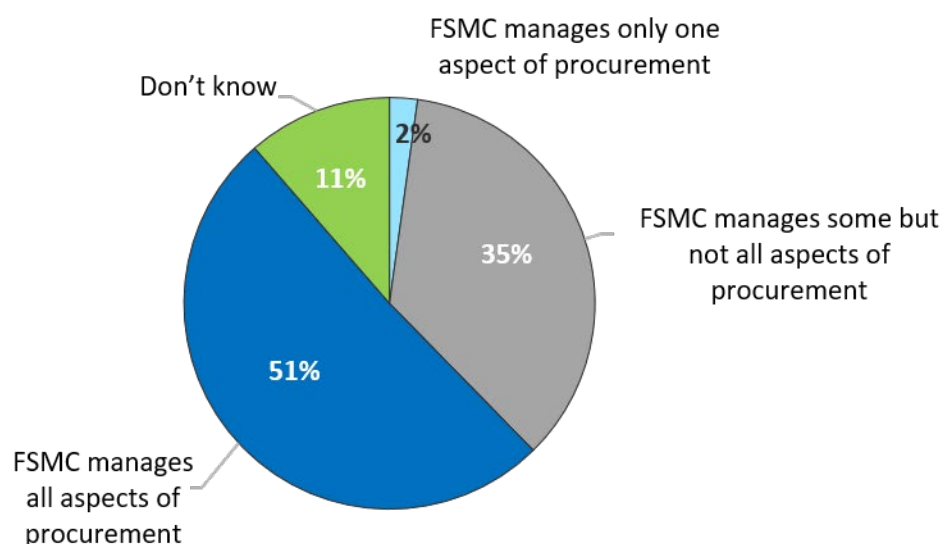
Source: Table 7.2.A. Degree to Which FSMCs Manage Procurement for SFAs' Child Nutrition Programs, by SFA Size in Appendix E.

Additionally, a majority of SFAs used FSMCs to handle procurement regulation compliance (79.4 percent), closely followed by delivery of bulk products for meal preparation (73.5 percent) and provide onsite staff to support food service operations (71.6 percent) (Table 5.5 in Appendix E). To ensure that the FSMCs provide high quality goods and services, 52.5 percent of SFAs examined goods or services, invoices, and documentation provided by FSMCs; however, nearly one-fifth (18.6 percent) of SFAs using an FSMC were unsure of the method (if any) used to monitor FSMC performance (Table 7.6.A in Appendix E).

More than half (56.1 percent) of the SFAs reported participation in group purchasing entities (Exhibit 7). These SFAs indicated that participating in such arrangements improve purchasing power, lower prices, and support the SFA's solicitation and contracting process. SFAs reported additional perceived benefits of group purchasing entities including peer-to-peer learning, networking opportunities, and improved product quality.

Exhibit 7. SFA Participation in Group Purchasing
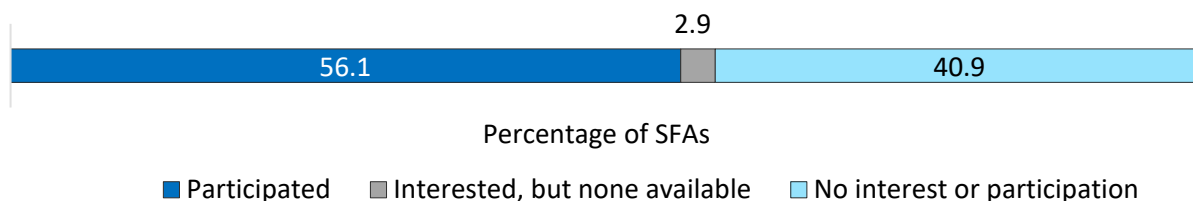
56.1	2.9	40.9

Percentage of SFAs

■ Participated   ■ Interested, but none available   □ No interest or participation

Sources: Table 8.1.A. Participation in Group Purchasing, by SFA Size and Table 8.3.A. Participation in Interstate Group Purchasing, by SFA Size in Appendix E.

SFAs also source foods from local producers, including farmers, ranchers, and fishermen. The definition of local area, the area from which foods are sourced, varied across the SFAs; 29.7 percent reported that they defined local area as "within the State," while 19.5 percent of SFAs indicated that they did not have a definition for local area (Table 6.1.A in Appendix E).

Most interviewed SFAs indicated that they valued procurement of foods from local producers; however, the survey results found that only 11.8 percent of SFAs reported having a planned spending goal to purchase food from local sources (Table 8). More than one-third (34.5 percent) of SFAs reported in the survey that they spent 0–50 percent of their SFA's food costs on foods from local producers, but many (62.5 percent) SFAs did not know the actual total spent for locally sourced food. In the interviews, SFAs provided a range of challenges to local procurement, with lack of availability of local producers cited by almost half the interviewed SFAs, followed by a higher cost for such foods. SFAs indicated that procuring foods from local producers was impracticable—rather than because SFAs were opposed to the idea.

USDA Foods in Schools

Under the umbrella of USDA Foods are the USDA Department of Defense Fresh Fruit and Vegetable Program (USDA DoD Fresh), USDA Foods direct delivery, and USDA Foods bulk for processing.[3] USDA DoD Fresh, operated by the DoD Defense Logistics Agency, allows schools to use USDA Foods entitlement dollars to buy fresh produce.

Almost half (44.3 percent) of SFAs indicated that they diverted USDA Foods for processing (Table 5.6.A in Appendix E). Nearly half (46.9 percent) of SFAs used distributors to procure processed end-products using USDA Foods, while 39.0 percent of SFAs procured these products directly from manufacturers or food processors with USDA national processing agreements (Exhibit 8). To receive credit for USDA Foods in processed end products, 42.8 percent of SFAs used net-off invoices, or indirect discount, while an almost equal amount of SFAs (43.3 percent) did not know which value pass-through method they used (Table 5.8.A in Appendix E).

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[3] USDA Foods support domestic nutrition programs and American agricultural producers through purchases of domestic agricultural products for use in meals served by schools, sponsors, and institutions operating the NSLP, CACFP, and SFSP. USDA. (2020). *USDA Foods in schools/Child Nutrition USDA Foods program* [fact sheet]. https://fns-prod.azureedge.net/sites/default/files/resource-files/USDA-FIS-program-fact-sheet-2020.pdf

Exhibit 8. Approaches to Competitively Procure USDA Foods Processed End Products
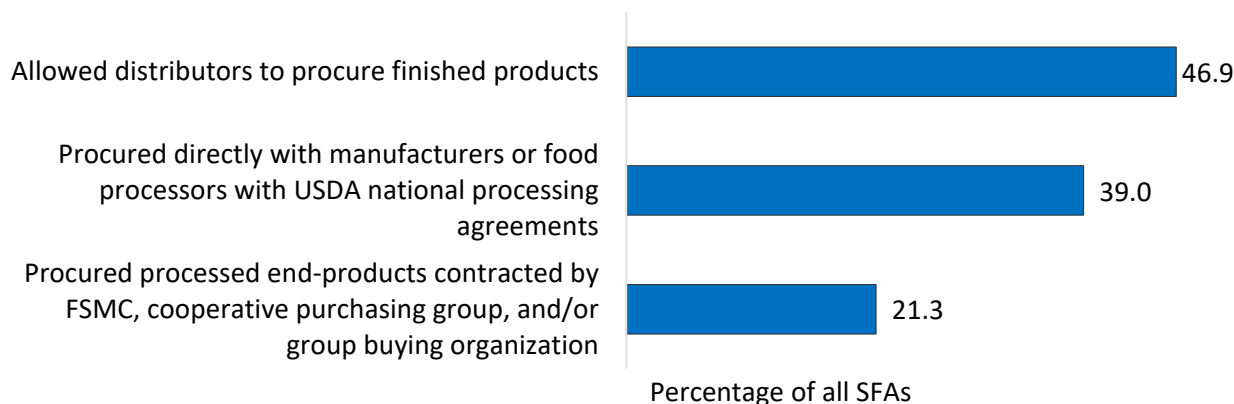
Approach	Percentage
Allowed distributors to procure finished products	46.9
Procured directly with manufacturers or food processors with USDA national processing agreements	39.0
Procured processed end-products contracted by FSMC, cooperative purchasing group, and/or group buying organization	21.3

Percentage of all SFAs

Source: Table 5.7.A. SFA Approaches to Competitively Procure USDA Foods Processed End Products, by SFA Size in Appendix E.

Procurement Resources and Training

SFAs received training, guidance documents, templates, and other resources from a variety of sources, including FNS, their State Agencies and local education agencies (LEAs), and external groups that provide research, training, and resources for those that manage CN Programs, such as the Institute of Child Nutrition (ICN). The most common form of guidance received by SFAs from FNS were trainings, memos, and manuals/handbooks. These forms of guidance were the most often used by SFAs; 39.1 percent of SFAs reported the use of FNS training, 39.9 percent reported the use of memos, and 30.7 percent of SFAs reported using FNS manuals and handbooks. Overall, more SFAs reported receiving FNS guidance than those who reported using it (Exhibit 9).

Exhibit 9. FNS Guidance Received and Used by SFAs for Developing Procurement Solicitations

Guidance Type	SFA Received (%)	SFA Used (%)
Training	50.4	39.1
Memos	48.4	39.9
Manuals/Handbooks	40.0	30.7
FAQs	38.9	30.5
Institute of Child Nutrition (online courses)	38.7	27.7
Don't know	22.6	28.7

■ SFA Received (%)   ■ SFA Used (%)
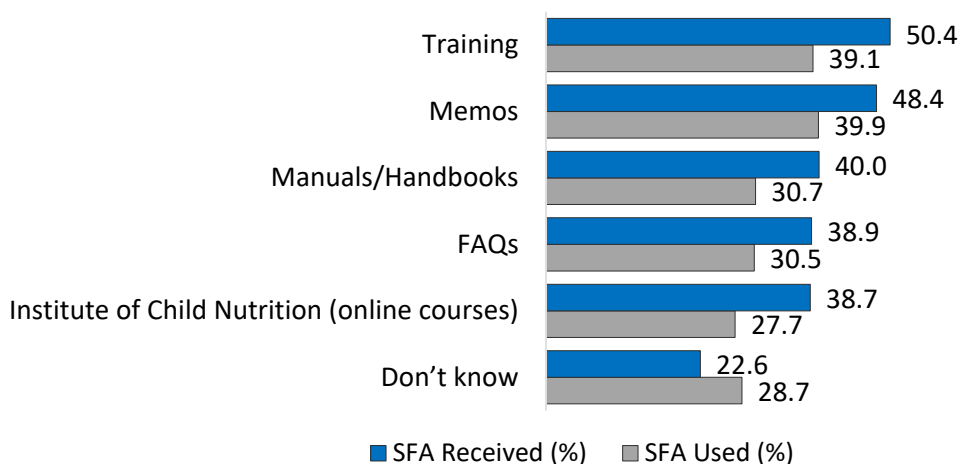
Source: Table 3.4. Guidance Type Used, by Source of Guidance in Appendix E.

SFAs identified a variety of best practices to meet their procurement goals. The majority of SFAs (65.8 percent) indicated receiving templates for procurement documents (Table 3.6 in Appendix E). More than one-third (35.6 percent) of SFAs reported that their State Agency or LEA required their SFAs to use templates when developing procurement documents. While 26.8 percent of SFAs indicated that they

were not required to use templates, 37.6 percent were unsure if they were required to use templates (Table 3.5 in Appendix E).

SFAs identified topics of best practices related to procurement that were available to them and could include various forms. The most commonly reported topics of best practices identified by SFAs were for small purchase procedures (81.9 percent) and the inclusion of the Buy American provision in contracts and solicitations (76.8 percent) (Exhibit 10). Challenges included applying regulations and changes while maintaining procurement timelines, applying the Buy American provision, purchasing nondomestic foods, and applying State policies. Some SFAs had difficulty understanding the circumstances under which they could purchase nondomestic foods and others expressed difficulty applying the Buy American provision in terms of seeking out domestic foods and food products and completing the required documentation.

Exhibit 10. SFA Use of Procurement Best Practices Materials, by Topic

Topic	Percentage
Small purchase procedures	81.9
Inclusion of the Buy American provision in contracts	76.8
Inclusion of the Buy American provision in contract solicitations	74.7
Product specifications	73.3
Public announcement/advertisement of RFPs	67.3

Percentage of all SFAs
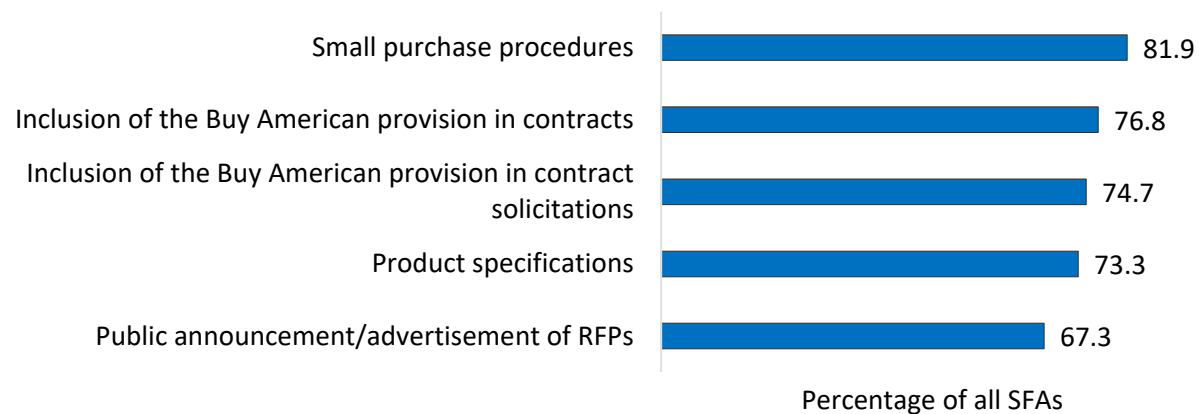
Source: Table 9.3. SFA Best Practices Used for Procurement, by FNS Region in Appendix E.

Most SFAs (82.5 percent) reported that their State Agency provided procurement training focused on topics such as updates and changes to Federal procurement policies and regulations (79.5 percent) and updates and changes to State procurement policies and regulations (74.4 percent) (Table 9.2 in Appendix E). Other successful resources that SFAs mentioned included technical assistance and resources created and led by the SFA, like internal meetings and hands-on instruction.

1   INTRODUCTION

1.1   Introduction and Study Background

The U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) administers the Child Nutrition (CN) Programs, which include the National School Lunch Program (NSLP), School Breakfast Program (SBP), Child and Adult Care Food Program (CACFP), and Summer Food Service Program (SFSP). FNS provides oversight, guidance, and technical assistance to the State Agencies administering CN Programs at the State level. State Agencies are responsible for ensuring that School Food Authorities (SFAs) comply with all program regulations by performing administrative and procurement reviews.[4,5] SFAs are responsible for the procurement of foods, goods, and services for their school meals and for feeding children in compliance with Federal regulations when spending Program funds. SFAs can encompass a single school, multiple schools, an entire school district, or multiple school districts.

Procurement (i.e., the process of obtaining goods and services) for school food programs is a technical and somewhat complex process that can require the SFA to coordinate with multiple stakeholders including schools, State and local agencies, and third-party entities (e.g., agents, cooperatives). Food procurement by SFAs involves intensive planning, contract development, staff training, and internal and external management efforts. In addition, Federal regulations require that SFAs that participate in NSLP must comply with local, State, and Federal procurement regulations. In conjunction with State Agency oversight of SFA procurement processes, SFAs conduct oversight on their current procurement contracts to ensure contractors comply with the specifications, terms, and conditions of each contract, as well as ensure that Federal, State, and local regulations are maintained.

The Agriculture Improvement Act of 2008 (also referred to as the 2008 Farm Bill) directed the U.S. Secretary of Agriculture to allow schools and SFAs to purchase locally grown and locally raised products "to the maximum extent practicable and appropriate." CN program operators can apply a geographic preference[6] when procuring locally grown and raised unprocessed agricultural products. However, State and local governments can have more restrictive provisions regarding local food sources and geographic preference when purchasing these foods on behalf of SFAs.[7]

NSLP and SBP procurement regulations include the Buy American provision, which requires SFAs to purchase domestic commodities or products for school food programs, to the maximum extent

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[4] 7 CFR 210.18 (a) states that each State agency must conduct administrative reviews of SFAs participating in the National School Lunch Program and School Breakfast program. For administrative reviews, a State Agency must gather and assess information offsite and/or onsite, observe the school food service operation, and use a risk-based approach to evaluate compliance with specific program compliance.

[5] FNS (2017). *Local Agency Procurement Reviews for School Food Authorities* [memo]. https://fns-prod.azureedge.net/sites/default/files/cn/SP39-2017os.pdf

[6] Federal regulations do not prescribe the precise way that geographic preference should be applied, or how much preference can be given to local products. The SFA, as well as the State Agency making purchases on behalf of the SFA, may determine the local area to which the geographic preference will be applied.

[7] USDA, FNS. (2017). *Geographic Preference: What It Is and How to Use It.* https://fns-prod.azureedge.net/sites/default/files/f2s/GeoPreference.pdf.

practicable, with limited exceptions.[8,9] The Buy American exceptions require that the product is not produced or manufactured in the United States in sufficient and reasonably available quantities of a satisfactory quality or that competitive bids reveal the cost of the domestic food and food product is significantly higher than non-domestic.

Additionally, the USDA Foods program supports domestic nutrition programs and American agricultural producers through purchases of 100 percent American-grown and -produced foods for use in school food programs.[10] Operated by the DoD Defense Logistics Agency and part of USDA Foods, the USDA Department of Defense (DoD) Fresh Fruit and Vegetable Program (USDA DoD Fresh) allows schools to use USDA Foods entitlement dollars to buy fresh produce.[11]

Over the last decade, FNS has conducted multiple studies focused on CN Program operations, including topics related to the procurement process. Historically, most studies focused on a single food service program (i.e., NSLP or SBP) or a single procurement topic (e.g., the use of food service management companies [FSMCs] in school food service). One nationally representative study indicated that 20 percent of SFAs used FSMCs in school year 2014–15 and use of FSMCs was more common among large SFAs, SFAs in districts with lower child poverty rates, and urban or suburban districts.[12] Furthermore, the study found that approximately half of the SFAs participated in food purchasing cooperatives in which SFAs can jointly solicit bids to receive better prices for both food and supplies. Findings from a SY 2009–10 study revealed that 81 percent of school food acquisitions were purchased, 11 percent were from USDA Foods donations, and 8 percent were processed products containing USDA Foods.[13] Data collected in 2015 found that 42 percent of surveyed districts indicated they participated in farm to school activities.[14]

In an effort to better understand the modern procurement environment and to develop informed and effective policies, FNS commissioned the *Study of School Food Authority (SFA) Procurement Practices*. This study is the first FNS study to comprehensively describe and assess the decision-making process of

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[8] § 210.21 (d) indicates that "SFAs should purchase to the maximum extent practicable, domestic commodities or products." A domestic commodity or product is "an agricultural commodity that is produced in the United States; and a good product that is processed in the United States substantially using agricultural commodities that are produced in the United States."

[9] FNS (2017). *Compliance with and Enforcement of the Buy American Provision in the National School Lunch Program* [memo]. https://fns-prod.azureedge.net/sites/default/files/cn/SP38-2017os.pdf

[10] USDA, FNS. (2020). *USDA Foods in Schools/Child Nutrition USDA Foods Program* [fact sheet]. https://www.fns.usda.gov/usda-fis.

[11] USDA, FNS. (2019). *USDA DoD Fresh Fruit and Vegetable Program.* https://www.fns.usda.gov/usda-foods/usda-dod-fresh-fruit-and-vegetable-program.

[12] USDA, FNS, Office of Policy Support. (2019). *School Nutrition and Meal Cost Study*. Prepared by Mathematica Policy Research and Abt Associates, Inc. https://www.fns.usda.gov/school-nutrition-and-meal-cost-study

[13] Young, N., Diakova, S., Earley, T., Carnagey, J., Krome, A., & Root, C. (2012, March). *School Food Purchase Study-III*. Prepared by Agralytica Inc. for the USDA, FNS, Office of Research and Analysis. https://www.fns.usda.gov/school-food-purchase-study-iii

[14] USDA, FNS. (2015). *The Farm to School Census*. https://farmtoschoolcensus.fns.usda.gov/

SFAs regarding their school food procurement practices at the SFA[15] level. This study has four main research objectives:[16]

Objective 1: Identify and describe the various means through which SFAs develop and publish solicitations, evaluate and award contracts, and monitor contractor performance for all school food purchases (i.e., goods and services paid from the nonprofit food service account, including but not limited to USDA Foods and commercial goods and services).

Objective 2: Identify and describe the rationale, procedures, and recordkeeping practices used by SFAs with respect to their contracts with FSMCs.

Objective 3: Identify and describe the forms of group purchasing efforts (e.g., cooperatives, agents, and third-party entities) SFAs use to purchase goods and services.

Objective 4: Assess the availability of State Agency-provided technical assistance and training resources and assess the strengths and weaknesses of SFAs with respect to procurement-related expertise to develop solicitation and contract documents, evaluate bids/responses, negotiate terms and conditions, and conduct contract oversight.

The study addressed the research objectives by collecting information from SFAs with a web-based survey, followed by interviews to a subset of SFAs. The mixed-methods design, in which both quantitative and qualitative information were collected and analyzed, provided a comprehensive examination of the SFA procurement practices.

1.2   Study Methodology

1.2.1   SAMPLE SELECTION

A key component of the *Study of SFA Procurement Practices* design was the identification of a set of procurement models from which to differentiate the study's sample. Here, the nationally representative sample of SFAs selected to complete the survey was a subset of the 1,679 SFAs who participated in the Child Nutrition Program Operations Study II (CN-OPS-II), which included a module on SFA procurement practices in SY 2016–17. The study team used the CN-OPS-II data to develop five models of SFA procurement practices that informed the selection of the SFA sample for the current study.

The procurement models captured five procurement dimensions, including contracting, management, suppliers, decision makers, and State Agency monitoring. Each model represents a set of similar procurement methods (e.g., use of FSMCs) and policies (e.g., extent of procurement of foods from local sources) identified from the CN-OPS-II responses. SFAs were assigned to one of the five procurement models based on their responses to the CN-OPS-II survey and then 700 SFAs were sampled for the *Study of SFA Procurement Practices*. Appendix B. Study Approach and Methodology provides additional details

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[15] "School Food Authority" is, as defined in NSLP regulations at 7 C.F.R 210.2, the governing body that is responsible for the administration of one or more schools and that has the legal authority to operate CN Programs therein or be otherwise approved by USDA to operate such programs.

[16] Each study research objective includes related research questions that guided the study. The study research questions can be referenced in Table 1. Summary of Study Objectives, Research Questions, and Report Location in Appendix A.

regarding sampling and Appendix C. SFA Procurement Model Memo provides information regarding the creation and analysis of the procurement models.

Of the 700 SFAs invited to participate in the study, 562 SFAs completed the survey, resulting in an 80.3 percent response rate. Participating SFAs varied in terms of SFA size, urbanicity, percentage of students who are approved for free and reduced price (F/RP) meals, and FNS Region (Table 2); these SFA characteristics are defined below.

- SFA size: Small = 1–999 students; medium = 1,000–4,999 students; large = 5,000–24,999 students; very large = 25,000 or more students. These categories were derived using the student enrollment data provided by FNS in the School Year (SY) 2014–15 Verification Collection Report (FNS-742).
- SFA urbanicity: Location in city, suburban, town, and rural area as determined by the National Center for Education Statistics. Urbanicity information was obtained from the SY 2014–15 FNS-742. SFAs with missing urbanicity codes were excluded from the analyses.
- Amount of students approved for F/RP meals: Low = 0–29 percent; medium = 30–59 percent; high = 60–100 percent. These categories were derived using the percent of students eligible for F/RP meals as indicated in the SY 2014–15 FNS-742.
- FNS Region: MARO = Mid-Atlantic Regional Office; MWRO = Midwest Regional Office; MPRO = Mountain Plains Regional Office; NERO = Northeast Regional Office; SERO = Southeast Regional Office; SWRO = Southwest Regional Office; WRO = Western Regional Office.

When considering SFAs with low, medium, and high percentages of students approved for F/RP meals, SFAs (n = 466) with low and medium percentages of students approved for F/RP had higher survey response rates compared to SFAs that had a high percentage of F/RP approved students (n = 96). Each FNS Region was represented by 60 to 80 responding SFAs, except for the Midwest and Mountain Plains Regions, which had 153 and 54 participating SFAs, respectively.[17] Although response rates varied by SFA characteristic, the distribution of responding SFAs closely matched the sample distribution (Table 1).

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[17] The number of responding SFAs is proportionate to the number of sampled SFAs.

Table 1. Unweighted Sample Characteristics

	Unweighted Sample Characteristics	
	SFAs Sampled (*n*)	Completed Surveys (*n*)
All SFAs	700	562
SFA Size		
Small (1–999 students)	212	159
Medium (1,000–4,999 students)	335	272
Large (5,000–24,999 students)	125	108
Very Large (25,000 or more students)	28	23
Urbanicity		
City	94	76
Suburban	196	157
Town	143	123
Rural	259	203
Not matched to CCD	8	3
Amount of Students Approved for F/RP Meals		
Low (0–29 percent)	268	211
Medium (30–59 percent)	308	255
High (60–100 percent)	124	96
FNS Region		
Mid-Atlantic	82	62
Midwest	189	153
Mountain Plains	60	54
Northeast	79	61
Southeast	81	68
Southwest	128	97
Western	81	67

Source: Table 1.1. Unweighted Sample Characteristics in Appendix E.

SFAs usually coincided with an LEA, included in the Local Education Agency (School District) Universe Survey File of the U.S. Department of Education's Common Core of Data (CCD)[18], which is maintained by the National Center for Education Statistics. In some cases, however, SFAs operate school food programs for multiple school districts and for individual schools (e.g., some public charter schools). For this study, 98.9 percent of the eligible SFAs matched to a LEA in the CCD universe file. Those SFAs that did not match remained in the sample frame with an indicator denoting that they do not have associated CCD data. SFAs that could not be matched to the CCD are not included in analysis tables that present data by urbanicity.

SFAs were identified to participate in the interviews on a rolling basis, based on the goal of conducting 100 interviews with a representative subsample of SFAs in terms of procurement model association and SFA size. Overall, 223 SFAs were sampled, which resulted in the completion of 100 interviews. The total completed interviews per procurement model and by unweighted SFA characteristics varied and can be referenced in Table 2 in Appendix D. Interview participation rates were generally balanced in terms of

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[18] https://nces.ed.gov/ccd/files.asp#Fiscal:2,LevelId:5,SchoolYearId:32,Page:1

SFA characteristics and procurement model representation (Table 2). Overall, 17.8 percent of the 562 SFAs that completed a survey also participated in an interview.

Table 2. Number of Completed Interviews by SFA Characteristic

	Number of SFAs that Completed an Interview
All SFAs	100
Procurement Model[1]	
Model 1	33
Model 2	40
Model 3	8
Model 4	10
Model 5	9
SFA Size	
Small (1–999 students)	32
Medium (1,000–4,999 students)	41
Large (5,000–24,999 students)	21
Very Large (25,000 or more students)	6
Urbanicity	
City	14
Suburban	22
Town	23
Rural	41
Amount of Students Approved for F/RP Meals	
Low (0–29 percent)	27
Medium (30–59 percent)	58
High (60–100 percent)	15
FNS Region	
Mid-Atlantic	8
Midwest	26
Mountain Plains	11
Northeast	5
Southeast	14
Southwest	21
Western	15

[1] See Appendix C for information about procurement models.

1.2.2 SURVEY DEVELOPMENT AND RECRUITMENT

In order to collect data, the study team developed a survey based on the research questions (Table 1 in Appendix A). In preparation for it, the study team gathered information about the policies and regulations that were relevant to the study's four research objectives. The survey and its recruitment materials were pretested with a small number of SFAs (n = 9). Pretest respondents were asked about ease of comprehension (e.g., confusing wording or layout, failure to grasp concepts) and length of time to complete. All recruitment materials and instruments were revised to incorporate pretest results, including clarifying statements and questions regarding diction, removing repetitive questions, and adding definitions of key terms throughout the survey.

The final web survey (Appendix F) collected information to address the following topics:

- Solicitations and Contracts
  - Procurement methods used to procure goods (specifically food)
  - Factors that influenced choice of solicitation method
  - Types of contracts awarded
  - Factors that influenced which contract types were awarded
  - Formal and informal procurement
  - Availability and use of contract language or templates
  - Buy American provision compliance
- Procurement Sources and Methods
  - Use of FSMCs
  - Use of group purchasing entities
  - Consolidation of procurements across CN Programs
  - Methods used to source specific goods and services
- Sourcing Foods
  - Methods used to source foods, especially from local producers
  - Participation in farm to school practices
- Procurement Planning and Monitoring
  - Decision-making process for procurement strategy
  - Staff involved in procurement planning
  - Records, documentation, and mechanisms used to monitor staff evaluating bids/responses and making contract award decisions
  - Tracking discounts, rebates, and credits
  - Identifying accounting errors
  - Monitoring contractor performance
- Procurement Guidance, Training, and Best Practices
  - Use of guidance or templates when developing solicitations
  - State Agency and LEA-provided procurement trainings
  - Use of best practices for implementing aspects of procurement

Recruitment and communication efforts followed FNS protocol; the FNS COR reached to relevant individuals at the FNS Regional Offices, who subsequently reached to the State Agencies to provide information about the study. During the data collection period, sampled SFAs received a mailed introductory invitation letter, emails to confirm receipt of the mailed invitation, biweekly reminder emails sent to nonrespondents, and reminder phone calls providing respondents the opportunity to ask questions or complete the survey over the telephone.

In general, the targeted respondents for the survey were staff members responsible for procurement; while the study team initially reached out to SFA directors, other individuals like kitchen managers, accountants, and related business staff were also respondents. The survey was developed so that respondents who are most knowledgeable about particular topics could complete the survey and that the survey could be completed by more than one person.

In total, 562 SFAs (of the 700 sampled SFAs) completed the survey, yielding a response rate of 80.3 percent.

1.2.3   IN-DEPTH INTERVIEW DEVELOPMENT AND RECRUITMENT

A semi-structured interview protocol was developed to collect qualitative data about the SFA's procedures, based on the study research questions (Table 1 in Appendix A). The interview protocol allowed for more nuanced responses than could be incorporated in the close-ended survey questions and allowed for more detailed responses regarding procurement practices. The semi-structured interview protocol consisted of multiple modules or topics areas (Exhibit 11).

Exhibit 11. Procurement Topics Included in the Interview Guide
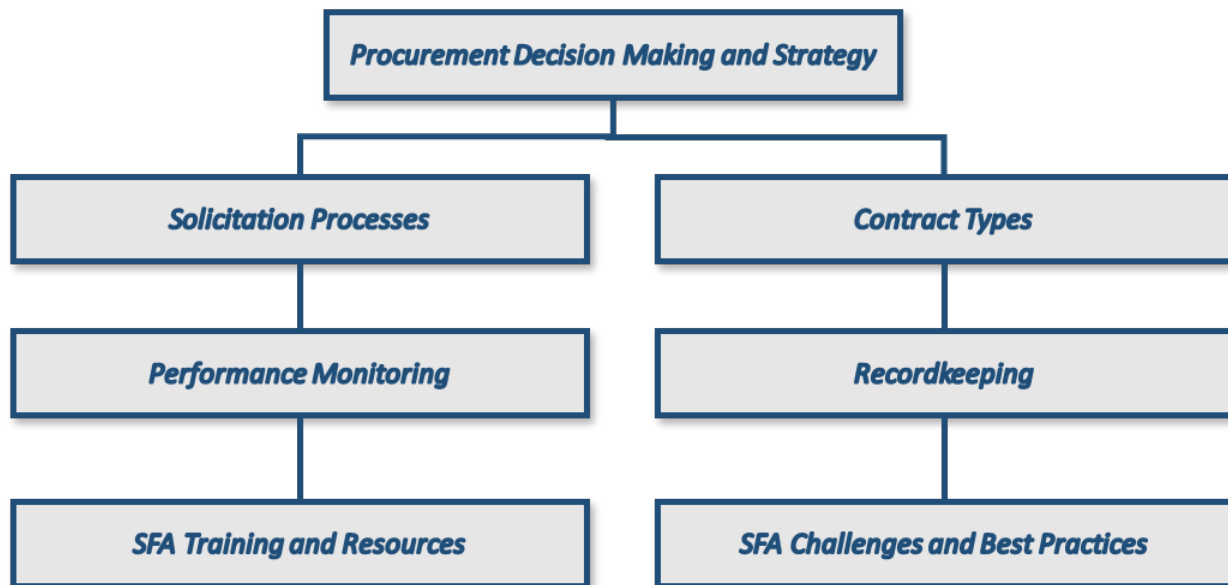
The interviews were conducted over the telephone and included a request for respondent permission to record the interview using a conference call interface (e.g., WebEx, Skype). Interviews ranged in length from 35 minutes to 105 minutes. Overall, the study team expected that interview lengths would vary because participants differed in their knowledge of the topic and their understanding of the complexity of their SFAs' procurement processes. Both the mean and median interview lengths were slightly longer than an hour at 66 minutes each.

1.2.4   ANALYTIC METHODS

This study used a mixed-methods design, which involved both survey and interview data collection, followed by an integrated analysis of the survey and interview data.

Survey Analytic Methods

The objective of the quantitative analysis was to develop a descriptive summary of the procurement decision-making processes used by SFAs. The survey data were weighted to account for the sampling design, as well as to adjust for nonresponse to avoid potential nonresponse bias. The data were calibrated to SFA population control totals in order to produce nationally representative estimates. For additional information, see Appendix B. Study Approach and Methodology.

The study team has produced a series of tables and charts to describe the differences in procurement practices between SFAs (Appendix E. Final Analysis Tables). Findings from the survey are presented in tabular form as weighted percentages, accompanied by weighted and unweighted counts. Statistical comparisons between SFAs also were conducted based on selected survey data to increase understanding of the differences and similarities between SFAs with varying characteristics. Comparisons that resulted in a *p*-value of < 0.05 were considered statistically significant. Appendix E includes an example table to explain how to interpret percentages and significance testing for report tables. Findings from the cross-tabulation analysis and statistical comparisons were reviewed to further identify trends in SFA procurement practices. These trends are discussed in Chapter 3 of this report.

This study does have limitations. First, a respondent bias toward providing a socially desirable survey response could exist. The response rate of 80 percent was still very high for a web-based survey. SFAs were selected based on their participation in the second CN-OPS-II survey, specifically their responses regarding procurement practices, and their SFA characteristics including size, percentage of students approved for F/RP meals, urbanicity, and FNS Region. These selection criteria provided a nationally representative sample, although variations in characteristics between SFAs that responded and SFAs that did not potentially could have introduced bias. The study addressed this potential for bias by making appropriate adjustments to the sample weights (Appendix B).

Interview Analytic Methods

The qualitative analysis produced narrative summaries that further described the similarities and differences in procurement practices between SFAs in the various procurement models. As mentioned, the interviews were designed with the intention to ensure that SFAs were able to describe their operations in an unrestricted way and to provide nuance regarding how procurement is done. The findings from the interviews are based on the experiences of the SFAs and they may not reflect required regulations and policies. The information gathered is intended to be used by FNS to create better guidance and trainings, and to further understand the needs and challenges of stakeholders involved in the operation of CN Programs.

Recorded interviews were transcribed and cleaned in preparation for qualitative coding and analysis. The study's coding efforts used an initial codebook developed through deductive coding, in which a set of a priori codes were identified and applied to the data based on the research questions. Following initial coding efforts, an inductive approach was applied to identify new areas of meaning that emerged from the interview text.

The study team reviewed coded interview data to identify themes, a process that focused on discovering similarities, differences, and patterns within the data.[19] They distilled the data into themes to further identify answers to the research questions and to bring depth and understanding of reported procurement practices. This analysis allowed for similarities and differences in SFA procurement practices to be ultimately clustered into themes per research question. The qualitative data analysis helped to develop narratives to answer the research questions by describing SFA operational and technical hurdles, decision-making strategies, and other factors that influence their procurement practices. The study team described findings based on the prevalence of responses by using the

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[19] Crabtree, B., & Miller, W. (1999). Using codes and code manuals: A template organizing style of interpretation. In B. F. Crabtree & W. L. Miller (Eds.), *Doing qualitative research* (2nd ed.) (pp. 163–177). Thousand Oaks, CA: Sage Publications.

following terms: "most," "the majority," "some," "several," and "few."[20] Finally, the study team triangulated findings from the qualitative analysis with the survey to ensure the analysis was comprehensive and well-developed.

1.3 Report Organization

The remaining chapters of the report will present a detailed overview of the following topics:

- *Chapter 2* describes the sample characteristics (e.g., SFA size, urbanicity, percentage of students approved for F/RP meals, FNS Region) and SFA participation in CN Programs.
- *Chapter 3* focuses on the SFA procurement cycle including planning, stakeholders involved, contracting, and contract management (e.g., monitoring, sourcing).
- *Chapter 4* details best practices, training, and resources that SFAs have found helpful in executing procurement operations.
- *Chapter 5*, the concluding chapter, provides key findings from the previous chapters highlighting common procurement practices, identified challenges, and best practices.

Appendices with study background information and additional analysis tables are located after Chapter 5.

- *Appendix A* presents study objectives and research questions.
- *Appendix B* provides additional details on the study methodology.
- *Appendix C* is the SFA Procurement Model Memo, which discusses how the five procurement models were identified and applied to the study's sample frame.
- *Appendix D* details data collection procedures and responses for both the survey and the interview.
- *Appendix E* provides the final analysis tables, which present the analysis of all survey data, including weighted and unweighted sample sizes, weighted percentages, and additional analysis notes.
- *Appendix F* and *Appendix G* are copies of the study's data collection instruments: the SFA Procurement Practices Web Survey and the Interview Guide.

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[20] "Most" represented approximately 65 percent or more of the responses; "majority" 50 percent or more; "some" 20 to 40 percent; "few"/"a few"/"a small number" less than 5 responses; "several" 6 to 19 responses; and "many" more than 20 responses.

2   SFA KEY CHARACTERISTICS

2.1   CN Programs

For this study, SFAs took part in a survey and a subset participated in-depth interviews to detail their procurement practices. In addition to NSLP, SFAs reported participation in SBP, FFVP, SFSP, and CACFP.

Aspects of Federal procurement regulations are similar across the CN Programs, such as methods for conducting a formal and informal procurement process, geographic preference, documentation policies, and administrative review and program visit requirements. In general, Federal regulations for NSLP, SBP, CACFP, and SFSP emphasize compliance with State and local agency regulations; documentation; maintenance of discounts, rebates, and credits; and geographic preference.[21]

All SFAs in the study participated in NSLP in SY 2017–18, as detailed in Exhibit 12. SFAs also reported participating in the other CN Programs: SBP (73.5 percent), SFSP (26.7 percent), FFVP (21.0 percent), and CACFP (12.0 percent). FFVP is only available to elementary schools, which means the entire SFA may not participate in the program.

Exhibit 12. SFA Participation in CN Programs

NSLP	SBP	SFSP	FFVP	CACFP
100%	74%	27%	21%	12%
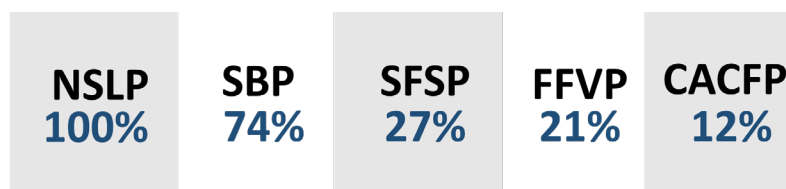
Note: Of the 700 sampled SFAS, 156 SFAs participated in the Community Eligibility Provision for SY 2017–18.
Source: Table 1.2.A. SFA Child Nutrition Program Participation, by SFA Model in Appendix E.

In addition to NSLP, participation in SBP, SFSP, FFVP, and CACFP differed by SFA size. Large SFAs (91.1 percent) had statistically significant ($p < 0.05$) higher participation in SBP than small SFAs (65.4 percent) (Table 1.2.B in Appendix E). Very large SFAs had statistically significant ($p < 0.05$) higher participation rates in FFVP, SFSP, and CACFP than large SFAs. SFAs located in towns had higher participation rates for SBP (81.7 percent) and SFSP (68.8 percent) than those in suburban and rural areas, although these differences were not statistically significant. Additionally, SFAs located in cities tended to report higher participation rates in FFVP (29.9 percent) and CACFP (20.8 percent) than those located in suburban areas, where 16.4 percent reported participation in FFVP and 10.2 percent in CACFP, although these differences were not statistically significant (Table 1.2.C in Appendix E).

Further, SFAs may acquire food, supplies, equipment, and services for multiple CN Programs from the same vendor or procurement mechanism. Most SFAs (84.6 percent) reported that they procure goods or services for multiple CN Programs together. More than one-third (36.0 percent) of the SFAs that

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[21] Pursuant to § 210.1 of the National School Lunch Act, USDA provides States with financial assistance and donations of food products to be used for school lunches. Participating schools must serve lunches that follow the nutrition standards outlined in regulations and fulfill responsibilities such as program administration; food service operations (e.g., preparation and service); ensure the sale of competitive foods, payment and use of funds, program monitoring, and reporting and recordkeeping requirements.

reported participating in more than one CN Program in SY 2017–18 reported conducting procurement for NSLP and SBP programs together; 11.7 percent did so for NSLP, SBP, and SFSP (Exhibit 13).

During the interviews, SFAs frequently expressed that CN Programs, particularly NSLP and SBP, are so intertwined that it is more efficient to conduct procurement for them together. Additionally, SFAs stated that consolidating procurement efforts across CN Programs sometimes improved SFAs' ability to comply with procurement regulations. Interviews with SFA directors revealed that consolidating procurement processes made procurement efforts simpler or more efficient for the following reasons: (1) SFAs were able to purchase a higher volume of product(s) for multiple programs (e.g., purchasing apples for breakfast and lunch) and (2) SFAs paid lower prices when ordering in larger quantities.

Exhibit 13. CN Programs Combined for Procurement

Percentage of SFAs
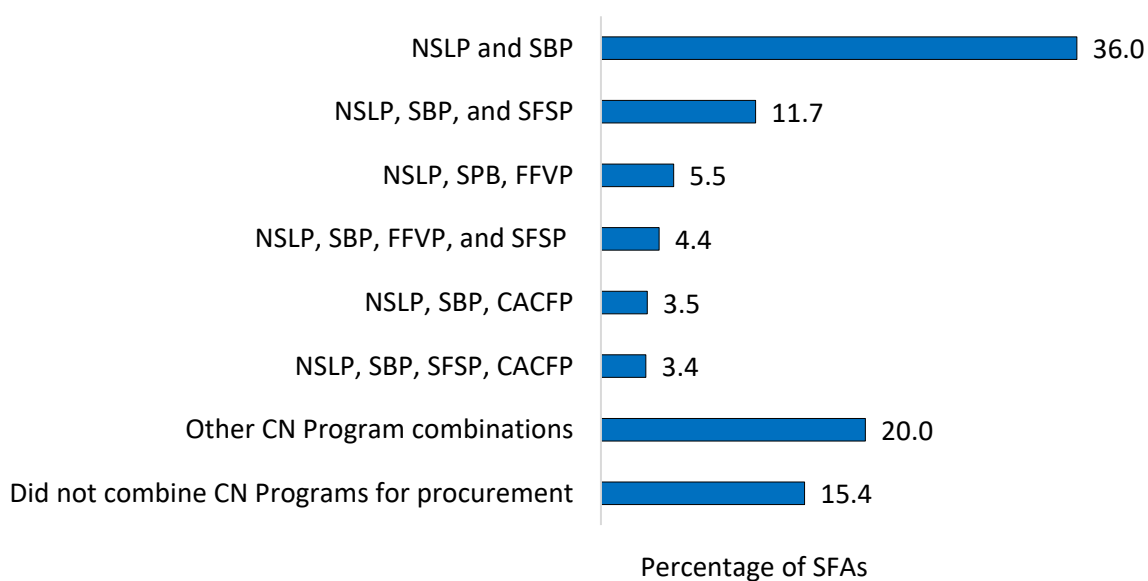
Notes: "Other CN Program combinations" is the sum of all other program combinations. In all, 18 other combinations were reported by SFAs, accounting for 20.0 percent of all SFAs. Examples of the most frequently reported other combinations included NSLP and FFVP (3.7 percent); NSLP, SBP, and a program other than SFSP, FFVP, or CACFP (3.4 percent); NSLP and SFSP (2.8 percent); and NSLP, SBP, SFSP, FFVP, and CACFP (2.3 percent).
Source: Table 1.3. Child Nutrition Programs Combined for Procurement in Appendix E.

When asked about procuring food, supplies, equipment, and services for a combination of CN Programs, more than one-third (35.3 percent) of SFAs reported procuring food and almost a third (32.1 percent) reported procuring supplies for both NSLP and SBP together (Exhibit 14). Fewer SFAs indicated that they consolidated procurement efforts for NSLP and SBP to purchase equipment (23.2 percent) or services (21.2 percent).

Exhibit 14. CN Programs Combined for Procurement, by Procurement Need

Percentage of SFAs

☐ Any Goods and Services   ◼ Food   ◻ Supplies   ◻ Equipment   ◼ Services
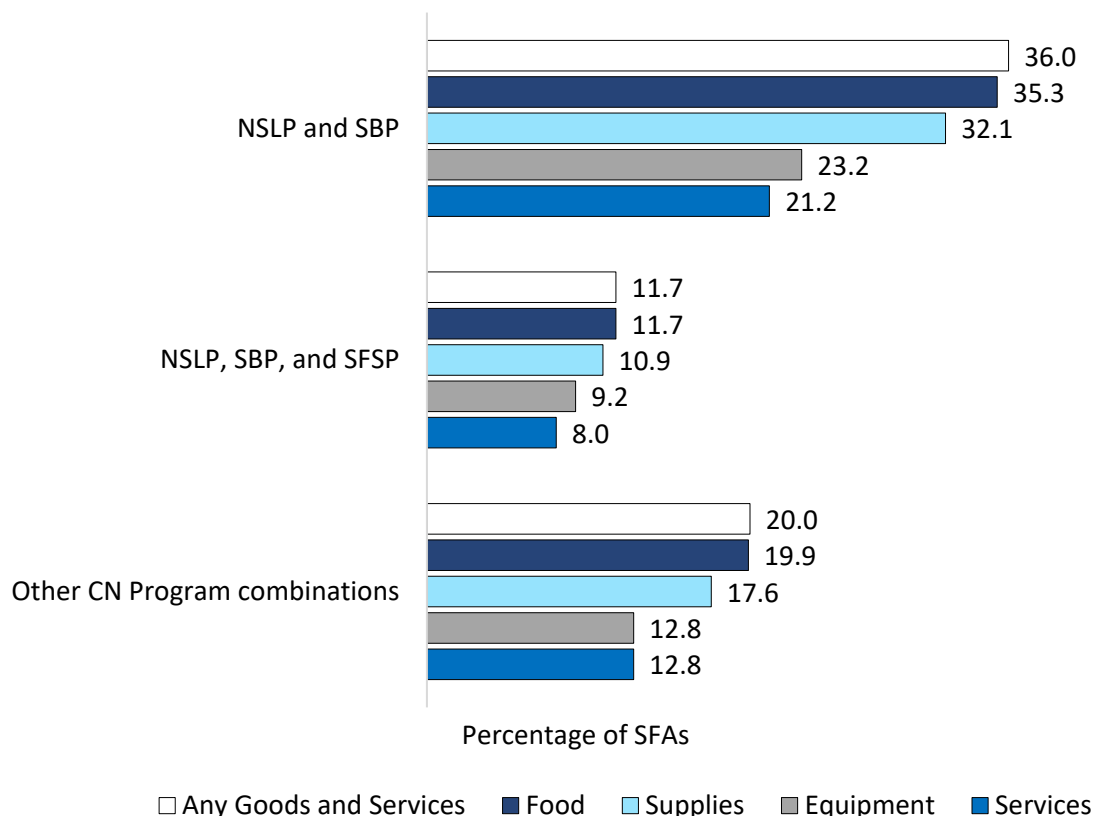
Source: Table 1.3. Child Nutrition Programs Combined for Procurement in Appendix E.

During the interviews, SFAs also offered reasons for separately procuring products for individual programs alone. Noted reasons included that some CN Programs offer products that are not offered in other programs, certain programs were funded differently (e.g., FFVP), and not all schools in an SFA participated in the same programs. In addition, a few SFAs procured products for the CACFP separately from other programs because procurement for the NSLP and SBP was done through group purchasing; in this case, some members did not participate in CACFP, so items used in CACFP had to be procured outside of the group purchasing arrangement.

3 PROCUREMENT PLANNING, DEVELOPING SOLICITATIONS AND CONTRACTS, AND CONTRACT MONITORING

3.1 Procurement Planning

3.1.1 PLANNING PROCESS

The planning phase for procurement is a multi-step process to develop an effective and cost-efficient approach for an SFA's school food programs. SFAs consider external and internal factors that impact the procurement needs for its school food program, such as equipment needs, SFA or school size, foods and ingredients needed for specific menus, and/or regulatory requirements. SFAs are able to prioritize their procurement approach, which may include a combination of procurement methods, use of FSMCs[22], and membership in cooperatives.

As part of the survey, SFAs were asked to specify how they made decisions to determine their overall procurement planning process. As shown in Exhibit 15, more than three out of four (76.0 percent) SFAs indicated their procurement approach was based on their menu items and food variety needs. A large proportion (65.3 percent) of SFAs reported that regulatory meal pattern requirements impacted their procurement approach. Over half (54.9 percent) of all SFAs selected food service operations, CN Programs participation rates (52.0 percent), and food service equipment and supply needs (50.5 percent) as priorities that shaped their procurement approach.

Exhibit 15. Priorities that Shaped SFA Procurement Approach

Priority	Percentage
Menu items/variety	76.0
Regulatory meal pattern requirements	65.3
Food service operations	54.9
CN Programs participation rates	52.0
Food service equipment and supply needs	50.5
SFA or school size	49.7
Food service equipment and supply costs	48.8
Storage capacity	44.0
Local wellness policies and nutrition goals	43.9

Percentage of all SFAs
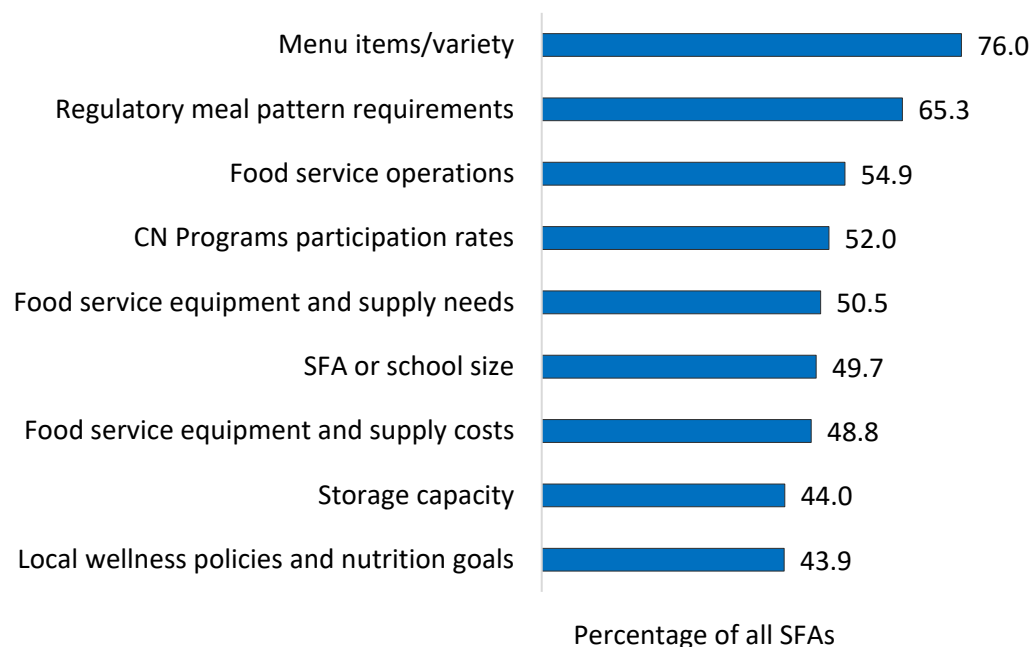
Source: Table 2.1. Priorities Shaping Approach to Procurement, by SFA Size in Appendix E.

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[22] In SY 2017–18, 26.2 percent of SFAs reporting using an FSMC.

SFAs interviewed about their processes and sources for making procurement-related decisions reported that adhering to procurement regulations (including meal patterns) and identifying student preferences were most often the starting points in the decision-making process. While the survey did not specifically ask whether student preference was a priority, 34.0 percent of SFAs indicated that input from the student body was a priority when shaping their procurement approach (Table 2.1 in Appendix E). To shape their procurement and meal planning decisions, SFAs conduct surveys, test products with students, review menus and school meal participation data, and get input from cafeteria staff about student preferences.

The SFAs also were asked to select the three most important considerations they use to determine their overall methods for procurement. Overall, the top three considerations reported by SFAs were menu items/variety (48.8 percent), meal pattern requirements (44.9 percent), and food service operations (31.4 percent) (Table 2.4.A in Appendix E). Further, SFAs commonly gathered and considered information from a variety of sources to guide their procurement decisions. In descending order of frequency, as reported during the interviews, the sources SFAs used to guide them included meal participation data, invoices or purchase orders, previous solicitations, menus, production records, inventory information, records provided by a vendor, and velocity reports.[23]

To support forecasting and planning for making future procurement decisions, three-quarters of SFAs indicated they used internal recordkeeping systems (Table 2.5.A in Appendix E) to help inform their procurement decisions. Interviewed SFAs explained that they used the same recordkeeping practices and information sources to inform their procurement regardless of contract type. However, the use of internal recordkeeping systems to inform procurement decisions increased along with the SFA size. At 95.6 percent, the very large SFAs were the most likely to indicate using internal recordkeeping systems while only 64.5 percent of small SFAs reported using the internal recordkeeping systems for this purpose.

3.1.2 STAFF INVOLVEMENT IN THE PROCUREMENT DECISION-MAKING PROCESS

The decision-making process for procurement requires multiple internal and external stakeholders to fulfill the SFAs' procurement needs and timelines. SFAs reported that various staff were involved in the procurement planning process (Exhibit 16). More than half (57.9 percent) of the SFAs reported that the food service director or manager was involved with procurement and almost half (48.5 percent) of SFAs indicated the nutrition director was involved in this process.

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[23] Velocity reports are reports generated by the vendor that provide the product, quantity, date of purchase, and additional information of food items purchased.

Exhibit 16. Staff Involved in Procurement Planning, by Percentage of SFAs
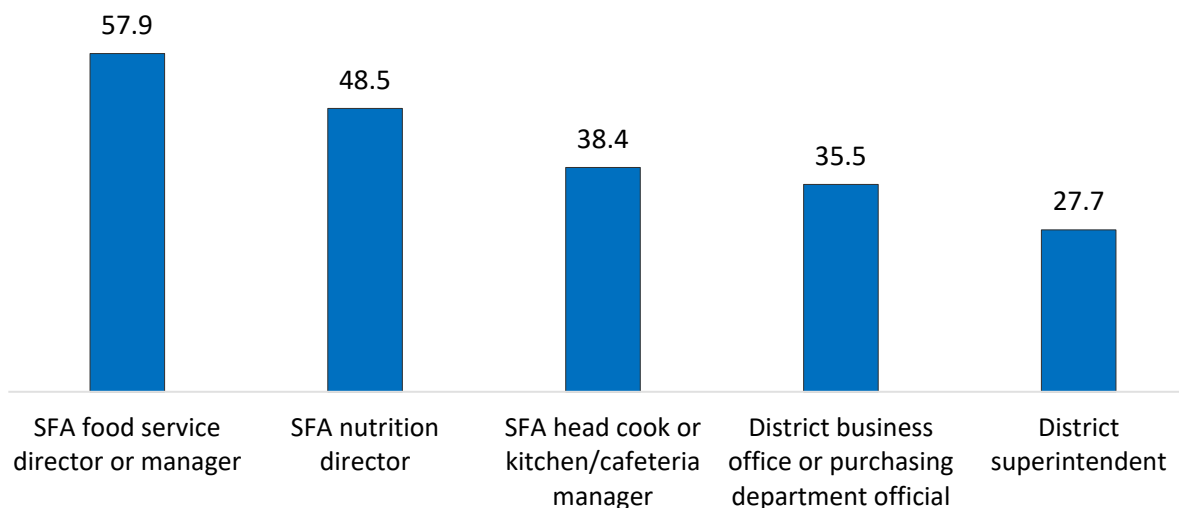
Source: Table 2.2 Staff Involved in Procurement Planning, by SFA Size in Appendix E.

Small SFAs (38.3 percent) were significantly ($p < 0.05$) less likely to involve the SFA nutrition director in procurement planning than medium (50.6 percent) and large (71.5 percent) SFAs. Small SFAs most frequently (53.4 percent) reported involving the SFA food service director or manager. Additionally, medium-sized SFAs (26.6 percent) were significantly ($p < 0.05$) more likely than large SFAs (21.5 percent) to involve group purchasing entity staff (Table 2.2 in Appendix E).

SFA directors explained which stages of the procurement process involved specific staff. SFA directors used aggregated information on pricing, sales, and nutrient content to decide what items to include in a solicitation, including collecting information from district-level CN staff and school-level food service staff. District-level "leads" and operations managers were responsible for overseeing multiple schools in larger SFAs. These staff provided information about needed products to the SFA director or other SFA staff responsible for procurement. The respondents added that SFA directors and/or business, purchasing, and accounting staff wrote specifications for solicitations and contracts and oversaw the release and analyzing of bids. SFA or district administrators were responsible for overseeing the release of solicitations and for approving key points in the procurement decision-making process, including publishing solicitations.

SFA directors indicated during the interviews that they were the individuals most often tasked with evaluating bids. However, in SFAs that employed procurement or purchasing specialists or similar staff, these individuals often played a role in the analysis as well. When present, procurement or purchasing staff were sometimes the primary individuals to evaluate bids, or they worked with the SFA director to do so. SFA directors indicated that they typically recommended the contract award recipients to a superintendent who would present the recommendation to the district boards for approval.

3.2   Solicitation and Contract Development

3.2.1   PROCUREMENT SOLICITATION PROCESS

After SFAs determine their goods and services needs, they decide which procurement method to use. All procurement transactions for school food programs must be competitive unless the requirements for non-competitive procurement have been met.

When the purchase exceeds the simplified acquisition threshold (SAT), currently set at $250,000, formal procurement must be conducted.[24] This procurement method can be conducted in two ways: through **competitive sealed bids** or **competitive proposals**.

- **Competitive sealed bids** require the use and development of an **invitation for bid (IFB)**, which is a publicly advertised bid document requiring bidders to respond with a sealed bid that is publicly opened at a specified time.[25] The SFA awards the contract to the lowest responsive and responsible bidder.
- In **competitive proposals**, an SFA develops a **request for proposal (RFP)**, which is a request for suppliers to submit a proposal on specific goods or services. The SFA develops an evaluation and scoring criteria to evaluate proposals and award a contract. The award may be made to the offeror whose proposal will be most advantageous to the program, with price and other factors considered and price as the primary factor, possibly not the offeror with the lowest price proposal. Both methods provide structure to ensure full and open competition and the award of contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement.

For both competitive sealed bids and competitive proposals, SFAs prepare a IFB or RFP that includes the description and quantity of the requested goods and services, contract type, payment provisions, contract duration, laws and regulations, procedural issues, technical requirements and evaluative criteria, advertising, and opening date for bids/responses.[26] The document generally outlines specific requirements needed to comply with Federal, State, and local regulations. To be considered responsive, an offeror must submit a response to the IFB or RFP that attends to the outlined specifications, terms, and conditions without significant deviations.

Informal procurement can apply to purchases at or below $250,000, the Federal simplified acquisition threshold. Informal procurement methods include micro-purchasing, in which SFAs can purchase services or goods without soliciting competitive quotations if the SFA considers the price to be reasonable and the purchase transaction is under the most restrictive threshold; the current Federal micro-purchase threshold is $10,000.[27] Should an SFA make a purchase below the simplified acquisition threshold, SFAs may utilize the small purchase procedure method. Depending on SFA preference, SFAs can utilize formal procurement methods for purchases at any time. In addition, more restrictive State

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[24] USDA, FNS. (2013). *Community food systems: Procurement methods*. https://www.fns.usda.gov/cfs/procurement-methods

[25] School Nutrition Association. (n.d.). *The school nutrition procurement toolkit*. Accessed January 28, 2020: http://procurement.schoolnutrition.org/glossary

[26] Wisconsin Department of Public Instruction. (n.d.). *What is a solicitation.* https://dpi.wi.gov/school-nutrition/program-requirements/procurement/methods/formal/solicitation

[27] USDA, FNS, Child Nutrition Programs. (2013). *Federal micro-purchase and simplified acquisition thresholds*. https://www.fns.usda.gov/cn/federal-micro-purchase-and-simplified-acquisition-thresholds

and local thresholds apply, which the SFA would need to follow. [28] The steps of the informal procurement process are summarized in Exhibit 17.

Exhibit 17. Steps Involved in the Informal Procurement Process

1. **Developing written specifications**

2. **Identify sources to provide products**

3. **Contact an adequate number of qualified sources***

4. **Evaluate bidders' response to written specifications**

5. **Determine the most responsive and responsible bidder**

*Note: Some States require at least 3 sources.

Determining whether to use formal or informal procurement methods depends on the estimated dollar value of goods and services required. As explained, the primary difference in determining the type of procurement method needed is largely based on the pricing of the good or service. Similarities and differences between the procurement process for small purchase procedures and formal procurement methods (i.e., IFB, RFP) are summarized in Exhibit 18.

Exhibit 18. How Informal and Formal Procurement Solicitation Processes Differ

Small Purchases, IFB, and RFP Solicitations Similarities	Small Purchases, IFB, and RFP Solicitations Differences

• All require the use of a solicitation.
 • All require competition.
 • Solicitation process must not include anti-competitive practices.
 • Contracts awarded under procurement options cannot be awarded with a cost-plus percentage of cost or percentage of revenue contract type.
	• Small purchase methods are simple, and prices can be obtained using a variety of options.
	 • Formal procurement methods are more rigorous than small purchase methods in the following ways:
	  • Solicitation document is more detailed and complex.
	  • Requires more steps to ensure the intent to procure a good or service was widely and publicly solicited among prospective respondents (e.g., vendors).

Procurement by **non-competitive proposals** is accomplished through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances applies: (1) the item is available only from a single source; (2) public need or emergency for the requirement will not permit

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[28] USDA, FNS, Child Nutrition Programs. (2019). *Federal micro-purchase and simplified acquisition thresholds: August 2013*. https://www.fns.usda.gov/cn/federal-micro-purchase-and-simplified-acquisition-thresholds

the time required for competitive solicitation; (3) the Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity; or (4) after solicitation of a number of sources, competition is determined to be inadequate.

The survey sought to gain understanding of the solicitation methods that were used by SFAs for school year SY 2017–18. Respondents included contracts solicited by self-operating SFAs; SFAs contracting with FSMCs; and contracts procured under an intergovernmental/interagency agreement, agent, or third party.

The majority (59.6 percent) of SFAs reported using multiple procurement methods. Whether they used these methods alone or in combination with other methods, most SFAs indicated they used small purchase procedures (56.8 percent), closely followed by sealed bids (50.0 percent), competitive proposals (48.8 percent), and micro-purchases (47.0 percent) (Table 3). SFAs also reported the following combinations: IFB, RFP, micro-purchases, and small purchase procedures (14.6 percent); IFB, micro-purchases, and small purchase procedures (14.3 percent); RFP, micro-purchases, and small purchase procedures (11.0 percent); micro-purchases, and small purchase procedures (10.6 percent); IFB, RFP, micro-purchases, small purchase procedures, and non-competitive proposals (7.1 percent). Another 17 combinations made up 42.4 percent of the responses (Table 3.1 in Appendix E).

The procurement methods had significant statistical differences ($p < 0.05$) when segmented by SFA size; very large and large SFAs tended to utilize each procurement method more than small SFAs. For example, very large SFAs were significantly more likely to report using competitive proposals (87.3 percent) and micro-purchases (81.0 percent) than large SFAs (67.9 percent and 68.7 percent, respectively). Large SFAs were also significantly more likely to report using small purchase procedures (74.9 percent) than medium (58.0 percent) and small (49.6 percent) SFAs.

Table 3. Solicitation Methods Used, by SFA Size

Solicitation Method	SFA Size Weighted Percentage of SFAs				
	All SFAs	Small (a)	Medium (b)	Large (c)	Very Large (d)
Small purchase procedures	56.8	49.6 [b,d]	58.0 [a]	74.9 [a]	87.3
Sealed bids	50.0	41.2 [c]	54.4	64.7 [a]	80.3
Competitive proposals (RFP and IFB)	48.8	40.7 [c]	50.4	67.9 [a,d]	87.3 [c]
Micro-purchases	47.0	36.5 [b,c]	50.9 [a,c]	68.7 [a,b,d]	81.0 [c]
Non-competitive proposals	16.5	17.4	13.4	20.1	31.0
Weighted n	14,332	6,742	5,521	1,759	310
Unweighted n	546	156	264	105	21

Notes: Multiple responses were permitted. The majority of SFAs (unweighted n = 372, weighted n = 8,536 or 59.6 percent) reported using multiple solicitation methods. Letter superscripts to the right of percentages indicate a statistically significant pair-wise difference (Bonferroni, p-value < 0.05) between the subgroup with the superscript and the subgroup denoted by the superscript letter. For example, the superscript "a" denotes a statistically significant difference between the subgroup with the superscript and the Small SFA Size subgroup. Subgroup estimates without superscripts reflect differences that are not statistically significant.
Sources: Study of School Food Authority (SFA) Procurement Practices Survey, question 1.2.; Table 3.1.A. Solicitation Methods Utilized, by SFA Size in Appendix E.

SFAs consider multiple factors prior to determining the most appropriate procurement methods for their needs. Factors that SFAs frequently considered during this process include estimated cost (63.1 percent), specific standards that need to be met for the CN Program (59.9 percent), type/variety of foods available (47.6 percent), and purchase quantity (41.5 percent) (Exhibit 19). Interviewed SFAs revealed that estimated costs and prices drive selected procurement methods.

The purchase price related to different purchasing thresholds appeared to be a key consideration when SFAs selected a procurement method. Some SFAs described using formal methods even when they could have used informal methods based on the purchase price. For example, one interviewed SFA disclosed that, despite knowing they can utilize informal methods for purchases falling below the micro-purchase threshold, they felt uncomfortable spending that amount of money without obtaining a price from multiple sources. These SFAs reported obtaining price quotes even when they were implementing micro-purchasing or making emergency purchases.

Exhibit 19. Factors Influencing Procurement Method

Factor	Percentage
Estimated cost	63.1
CN Program standards	59.9
Foods available	47.6
Purchase quantity	41.5
Product standards	38.2
Preapproval of vendor by SA or USDA	36.2
SFA district size	32.6
State regulations	32.2
Desired brands available	31.8

Percentage of all SFAs
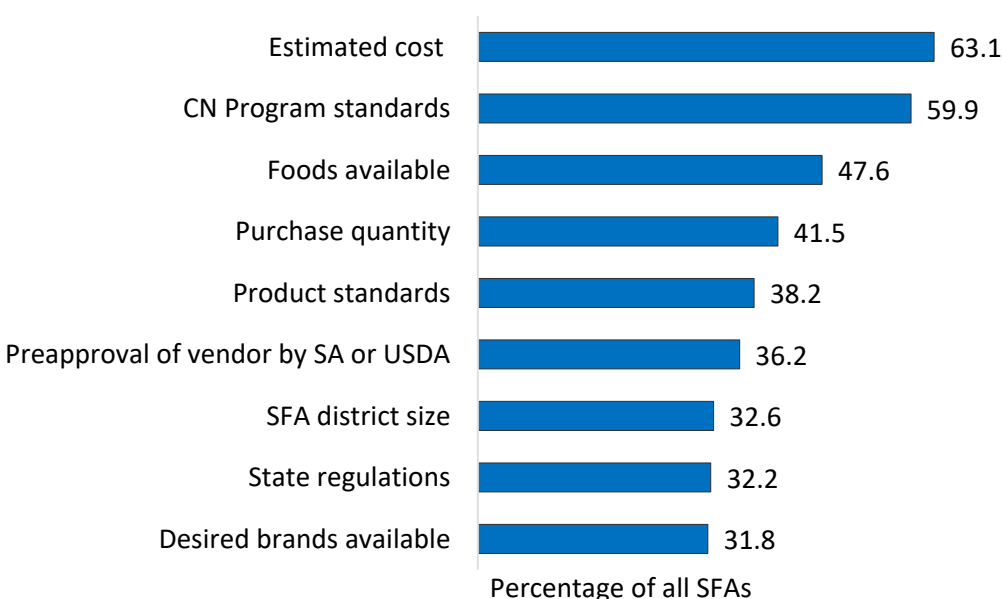
Source: Table 3.2.A. Factors Influencing Procurement Solicitation Method, by SFA Size in Appendix E.

During the interviews, SFAs explained how they analyze costs prior to publishing an IFB or RFP. Most SFAs used records of previous purchases to analyze cost. As SFA staff gained experience with reviewing costs and working in the SFA, some SFA staff indicated that they developed an understanding of what a product "should" cost, informing their expectations for product costs.

SFAs identified vendors as a common source of information. The SFAs called or requested information from vendors before initiating any procurement procedure to determine the procurement method required and the estimated price range they could expect vendors to propose. They also searched the internet to locate pricing information. SFAs also described their network of SFAs as a valuable resource for obtaining information. SFAs asked each other about product cost, the quality of different products, student preferences, and SFA opinions on food quality from various vendors. In some cases, an

affiliation with a group purchasing entity facilitated information sharing, though SFAs used this strategy even when they were not a group member.

About one-quarter of interviewed SFAs did not always analyze costs before requesting price quotes or advertising/publishing and IFB or RFP. They reported that such analysis was not necessary, appropriate, or feasible. For example, some SFAs analyze costs before purchasing equipment but would not analyze costs before publishing a solicitation for food. Other SFAs explained there was only one location to purchase something in their area, that they had never before thought to analyze costs, nor did they see a reason to analyze costs before requesting price quotes or publishing an IFB or RFP.

Contract provisions are another requirement of IFBs and RFPs to ensure contracts are awarded only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Contracts include product and service specifications and payment terms, among other contract conditions. The majority of SFAs tended not to specify required contract provisions for either formal procurement (63.4 percent) or informal procurement (61.4 percent) (Exhibit 20). The geographic preference option[29] was the most used supplementary provision for both informal and formal procurement, with more than a quarter (26.0 percent) of SFAs using it in informal procurement and more than a fifth (22.7 percent) of SFAs using it in a formal procurement. SFAs often also included provisions with which to solicit small businesses or minority-owned or woman-owned businesses.

Exhibit 20. Additional Contract Provisions Used by SFAs for Informal and Formal Procurement

Percentage of all SFAs

■ Informal Procurement   ▨ Formal Procurement
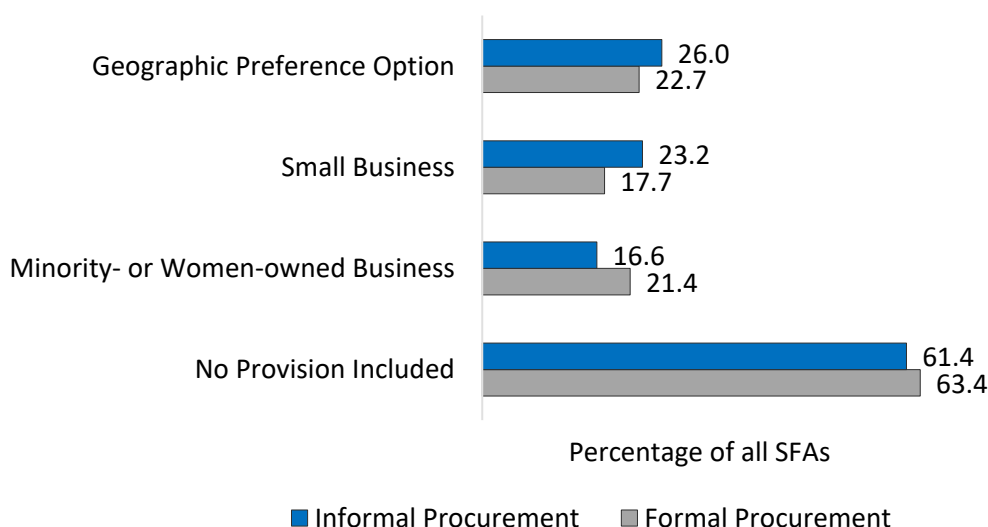
Sources: Table 3.12.A. Contract Provisions Used for Formal and Informal Procurement, by SFA Size and Table 3.13a Geographic Preference Contract Provision Used in Formal and Informal Procurement, by SFA Size in Appendix E.

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[29] A school food authority participating in NSLP, as well as State Agencies making purchases on behalf of such school food authorities, may determine the local area to which the geographic preference will be applied and apply a geographic preference when procuring unprocessed locally grown or locally raised agricultural products. "Unprocessed locally grown or locally raised agricultural products" means only those agricultural products that retain their inherent character. The effects of the food handling and preservation techniques not considered as changing an agricultural product into a product of a different kind or character are identified in 7 CFR 210.21(g)(2).

When asked about contract provisions during the interviews, SFAs indicated that they integrated preferences (e.g., preference to minority-owned or women-owned businesses; geographic preferences) into documents, usually due to a State requirement. Some SFAs included these preferences only in documents used above a certain dollar threshold.

Oversight mechanisms such as a review of records and other types of documentation are implemented by SFAs to monitor staff as they make contract award decisions. SFAs can use these documents to ensure the award decisions align with the contract specifications and requirements. When monitoring staff during the decision process, SFAs' most commonly reported examining RFP or IFB evaluation criteria (47.0 percent), procurement plans (39.2 percent), signed code of conduct (27.4 percent), and meetings/negotiation phase documents (24.0 percent) for RFPs (Table 4). However, 16.7 percent of SFAs did not monitor staff as they make award decisions. A larger percentage of small (24.2 percent) and medium (11.1 percent) SFAs reported not monitoring staff as they make contract decisions, compared to large (7.5 percent) SFAs (statistically significant at $p < 0.05$). In addition, when using RFP or IFB evaluation criteria and results, very large SFAs and large SFAs (90.3 percent and 73.5 percent, respectively) differed from small (31.3 percent) and medium SFAs (54.5 percent) in their use of these documents (statistically significant at $p < 0.05$).

Table 4. Documents Used to Monitor Contract Award Decisions, by SFA Size

Document	SFA Size Weighted Percentage of SFAs				
	All SFAs	Small (a)	Medium (b)	Large (c)	Very Large (d)
RFP or IFB evaluation criteria	47.0	31.3 [b,c]	54.5 [a,c]	73.5 [a,b,d]	90.3 [c]
Procurement plan	39.2	36.5	37.2	50.2	61.8
Signed code of conduct	27.4	20.2	31.9	32.3 [d]	70.1 [c]
Meetings/negotiation phase documents, if RFP	24.0	17.7	28.6	32.1	31.9
Other[1]	10.1	12.2	9.1	6.4	6.6
SFA does not monitor staff as they make award decisions	16.7	24.2 [c]	11.1 [c]	7.5 [a,b]	9.7
Weighted *n*	14,250	6,627	5,461	1,809	353
Unweighted *n*	545	153	261	108	23

[1] Examples of monitoring include audits, administrative reviews, record checks, and reviews by director.
Notes: Respondent universe limited to SFAs that selected one or more options regarding staff involved in procurement planning for CN Programs for SY 2017–18 (question 4.4). Letter superscripts to the right of percentages indicate a statistically significant pair-wise difference (Bonferroni, *p*-value < 0.05) between the subgroup with the superscript and the subgroup denoted by the superscript letter. For example, the superscript "a" denotes a statistically significant difference between the subgroup with the superscript and the Small SFA Size subgroup. Subgroup estimates without superscripts reflect differences that are not statistically significant.
Source: Study of School Food Authority (SFA) Procurement Practices Survey, question 4.6; Table 3.14 Documents Used to Monitor Contract Award Decisions, by SFA Size in Appendix E.

3.2.2 COMMON CONTRACT TYPES AND TEMPLATES USED

FNS regulations outline the contract types and responsibilities of contracted parties. SFAs are the parties responsible for ensuring that all Federal requirements are incorporated into contracts and State

Agencies are responsible for ensuring applicable Federal, State, and local regulations are enforced. When requested by an State Agency, SFAs must be prepared to provide solicitation documents, specifications, evaluation criteria, procurement procedures, proposed contracts and contract terms Furthermore, SFAs must obtain State Agency written approval for any changes made to State Agency prototype solicitation or contract documents prior to disbursement.[30] As shown below (Exhibit 21), contract options include fixed-price, fixed-price with economic price adjustment, and cost-reimbursable with fixed fee, cost-reimbursable (no fixed fee). Ultimately, the SFA selects the contract type required by the procurement method used.

Exhibit 21. Contract Types

Contract Type	Definition
Fixed-price	In a fixed-price contract, the price for goods and/or services is determined and "fixed" (i.e., it does not change) at the start of a contract and maintained through the duration of the contract. An example of a typical fixed-price contract for an SFA may include goods with precise cost estimates such as a bid for perishable and nonperishable food, small wares, or kitchen supplies and equipment.
Fixed-price with economic adjustment	Fixed-price contracts that include an economic price adjustment are tied to a standard index such as the Consumer Price Index. Once the specified fixed-price period ends, a written request for a price adjustment (s) is made to the SFA with the proposed new fixed-price (s) calculated using the specified index. If approved by the SFA, once this fixed-price period ends, the process may be repeated, to the extent prescribed in the contract. An SFA could use this contract type for goods that may fluctuate in price such as for dairy products or fresh produce.
Cost-reimbursable	A cost-reimbursable contract means that the contract provides for payment of incurred costs to the extent prescribed in the contract, with or without a fixed. For example, an FSMC will bill the SFA when allowable costs are incurred for a specific billing cycle within the contract duration period. This type of contract may (or may not) include a fixed fee for management services or administrative services, or this type of contract may include delivery fees to the extent prescribed in the contract.
Forward contracts	Forward contracts are established when the cost, terms, and conditions of goods or services are agreed to before the goods or services are produced. School food programs typically use forward contracts for purchasing unprocessed locally grown or locally raised agricultural products from local sources (e.g., farmers) before the growing season. This contract structure is advantageous to both farmers and SFAs, as farmers can appropriately plan harvests to supply the specified produce to SFAs, and it allows SFAs to secure produce upon maturity.

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[30] Procurement, 7 C.F.R. § 210.21 (a-c) (2016) https://www.ecfr.gov/cgi-bin/text-idx?SID=4c211a738d6109939c6054a6286ac109&mc=true&node=pt7.4.210&rgn=div5#se7.4.210_121

As part of the survey, respondents identified factors that influenced the type of procurement method to use and contract to award when procuring goods or services. The leading factor was estimated cost (31.4 percent) with other factors identified as service quality (21.2 percent) and product consistency (17.3 percent). To a lesser degree, SFAs considered contract type (e.g., fixed-price cost-reimbursable; 8.6 percent), service type (e.g., food service management, cleaning services; 4.8 percent), and small and micro-purchase thresholds (4.8 percent) when considering contract type (Table 3.9 in Appendix E).

Some interviewed SFAs disclosed that the type and price of the product or service directly informed the contract type. For example, SFA directors reported that perishable goods such as produce and milk were often purchased using a contract that was fixed-price with an economic price adjustment, while FSMC services and nonperishable food were purchased with fixed-price contracts. SFA directors also reported that sometimes vendors would only offer products under a certain type of contract or that the contract types would influence the price. For example, some bids have the option to use an economic price adjustment to a fixed-price contract to allow prices to increase or decrease using a standard index during volatile market conditions.

When SFAs were asked about the types of contracts awarded for the 2017–18 school year, both fixed-price and fixed-price with economic price adjustment were reported as the most common contract types across all SFAs (57.6 percent and 46.5 percent, respectively). However, popularity of certain contract types differed by SFA size. As shown in Table 5, 72.5 percent of large SFAs used fixed-price contracts, and 53.4 percent of small SFAs awarded fixed-price contracts (statistically significant at $p <$ 0.05), though the options were not mutually exclusive.

Table 5. Contract Types Used, by SFA Size

Contract Type	SFA Size Weighted Percentage of SFAs				
	All SFAs	Small (a)	Medium (b)	Large (c)	Very Large (d)
Fixed-price	57.6	53.4 [c]	56.0	72.5 [a]	87.8
Fixed-price with economic price adjustment	46.5	42.1	47.3	53.9 [d]	82.0 [c]
Cost-reimbursable with fixed fee	12.7	9.6	15.7	14.7	17.7
Cost-reimbursable (no fixed fee)	7.1	8.8	5.2	8.1	0.0
Forward contracts	9.5	6.5	12.5	9.1	21.7
Other	8.4	10.7	7.7	3.6	0.0
Weighted *n*	14,616	6,832	5,641	1,789	353
Unweighted *n*	558	158	270	107	23

[1] An example of "Other" contract types includes multiyear contracts with incentives.

Notes: Multiple responses were permitted. Table estimates include SFAs that provided a response to either question 1.4 or question 1.5. Letter superscripts to the right of percentages indicate a statistically significant pair-wise difference (Bonferroni, *p*-value < 0.05) between the subgroup with the superscript and the subgroup denoted by the superscript letter. For example, the superscript "a" denotes a statistically significant difference between the subgroup with the superscript and the Small SFA Size subgroup. Subgroup estimates without superscripts reflect differences that are not statistically significant. Weighted *n*'s for subgroups may not sum to weighted *n* for all SFAs due to rounding.

Source: Study of School Food Authority (SFA) Procurement Practices Survey, questions 1.4 and 1.5.; Table 3.7.A. Contract Types Utilized, by SFA Size in Appendix E.

About one-fifth (20.2 percent) of all SFAs reported that State and local regulations limited their use of specific contract types (e.g., fixed-price, cost-reimbursable), whereas 33.9 percent of SFAs responded that State and local regulations did not limit any specific types of contracts. Nearly half (46.0 percent) of the SFAs indicated that they did not know whether State and local regulations limited their use of specific contract types (Table 3.8 in Appendix E).

Some State Agencies provide their SFAs with sample language and templates for use when contracting with distributors, processors, and FSMCs. These documents might have preloaded worksheets on expenditures, labor projections, and other specifications. A template also can offer boilerplate language for an SFA to use in their drafting process, like that for the Buy American provision. SFAs reported that their State Agency provides language or templates for contracts with FSMCs (46.5 percent), processors (40.0 percent), and broadline distributors[31] (24.1 percent) (Exhibit 22). Almost half of SFAs reported contract language or templates were provided by their State Agency for FSMC contracts. Between 45.1 and 60.1 percent of SFAs responded that they did not know if their State Agency provided contract language or templates for FSMCs, processors of USDA Foods, and/or broadline distributors.

Exhibit 22. State Agency Provides Contract Language or Templates

Contract language or templates provided for...

	Yes	No	Don't Know
FSMC contracts with SFAs	46.5	8.4	45.1
SFA contracts with processors, including processors of USDA Foods	40.0	11.1	48.9
SFA contracts with broadline distributors	24.1	15.8	60.1

Percentage of all SFAs

■ Yes ■ No ☐ Don't Know
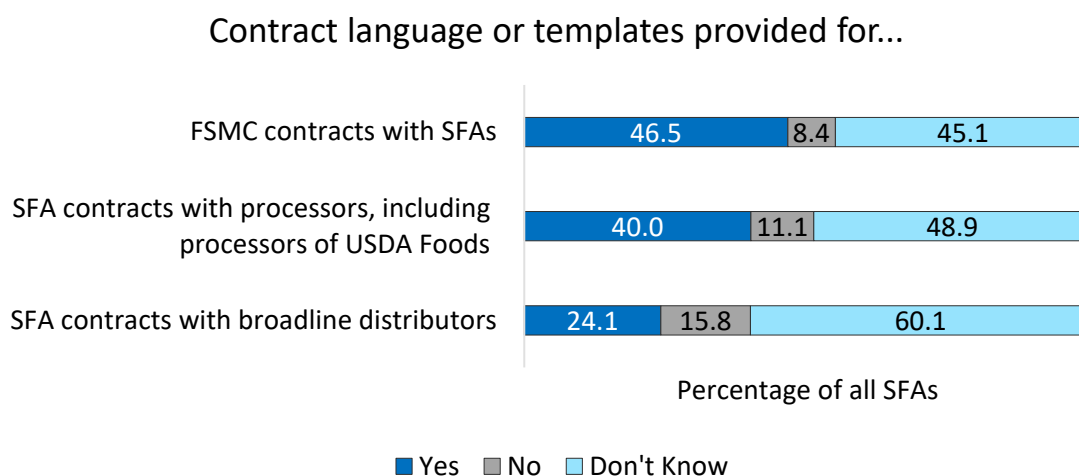
Source: Table 3.11. State Agency Provides Contract Language or Templates, by FNS Region in Appendix E.

Interviewed SFAs explained that they used State Agency guidance in addition to templates to develop contracts for FSMCs, processors, or broadline distributors, as well as using templates as a best practice for developing contracts. Some SFAs also relied on training and resources offered through their cooperatives and templates provided by their school district's financial or procurement staff.

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[31] Broadline distributors (also known as general-line or full-line distributors) are a type of merchant grocery wholesale company that handles a variety of food and supply products, and other food service materials.

3.3   Procurement Entities and Methods for Sourcing CN Program Goods and Services

SFAs source a products and services for school food programs through multiple entities, including food service management companies (FSMCs), group purchasing entities, and third-party group purchasing entities.

An FSMC is "a commercial enterprise or a nonprofit organization that is or may be contracted with by the SFA to manage any aspect of the school food service."[32] The solicitation and subsequent agreement must clearly define the scope of management activities performed by the FSMC. Some SFAs only use the FSMCs to perform certain functions, while others use FSMCs to manage all aspects of school food service. However, all SFAs must monitor and oversee the FSMCs, ensuring that they adhere to the contract terms. SFAs must ensure that the IFB for an FSMC includes a 21-day cycle menu and incorporates "nonperformance subjects" (i.e., consequences for not performing as agreed upon) or service requirements.[33]

Group purchasing agreements were categorized as CN Program operator-only and/or CN State Agency agreements, agent, and third-party entities, such as State procurement agency agreements, group purchasing organizations, group buying organizations, and third-party vendors. In this situation, public, private, and nonprofit entities form agreements with the goal of increasing their purchasing power.[34] Additionally, Federal procurement standards in 2 CFR 200.318(e) encourage State and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.

3.3.1   PROCUREMENT ENTITIES, METHODS, AND PROPOSALS FOR SOURCING CN PROGRAM GOODS AND SERVICES

SFAs were first asked whether they used any group purchasing services and were then asked whether they sourced specific goods or services through those purchasing entities.

Overall, SFAs using an FSMC heavily relied on the FSMC to source their goods and services, compared to SFAs using other procurement methods and entities. For goods and services specifically related to food, 85.1 percent of SFAs using an FSMC relied on the FSMC for menu planning services, and 86.1 percent used the FSMC to purchase goods, specifically foods (Exhibit 23).[35]

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[32] USDA, FNS. (2016). *Contracting with food service management companies: Guidance for school food authorities*. https://fns-prod.azureedge.net/sites/default/files/cn/SP40_CACFP12_SFSP14-2016a2.pdf

[33] Food service management companies, 7 C.F.R. § 210.16 (2007). https://www.ecfr.gov/cgi-bin/text-idx?SID=4c211a738d6109939c6054a6286ac109&mc=true&node=pt7.4.210&rgn=div5#se7.4.210_121

[34] FNS. *Q&A: Purchasing goods and services using cooperative agreements, agents, and third-party services* [memorandum]. (2016). https://fns-prod.azureedge.net/sites/default/files/cn/SP05_CACFP03_SFSP02-2017os.pdf

[35] Analysis of the web survey data found that 132 SFAs (unweighted) reported using an FSMC at question 2.1, which asked if the SFA uses an FSMC to procure goods (specifically food) or services. Of these, 21 SFAs (16 percent) checked all items in questions 2.21 (which asked the SFA to indicate whether they sourced any of the listed goods or services through any of the listed procurement methods or purchasing entities) under the FSMC column (excluding "other"). Three SFAs (unweighted) that reported using an FSMC in question 2.1 selected all items (excluding "Other") except for vended meals at question 2.21.

Exhibit 23. Procurement Entities for Sourcing CN Program Goods and Services, By SFAs That Reported Using Each Entity
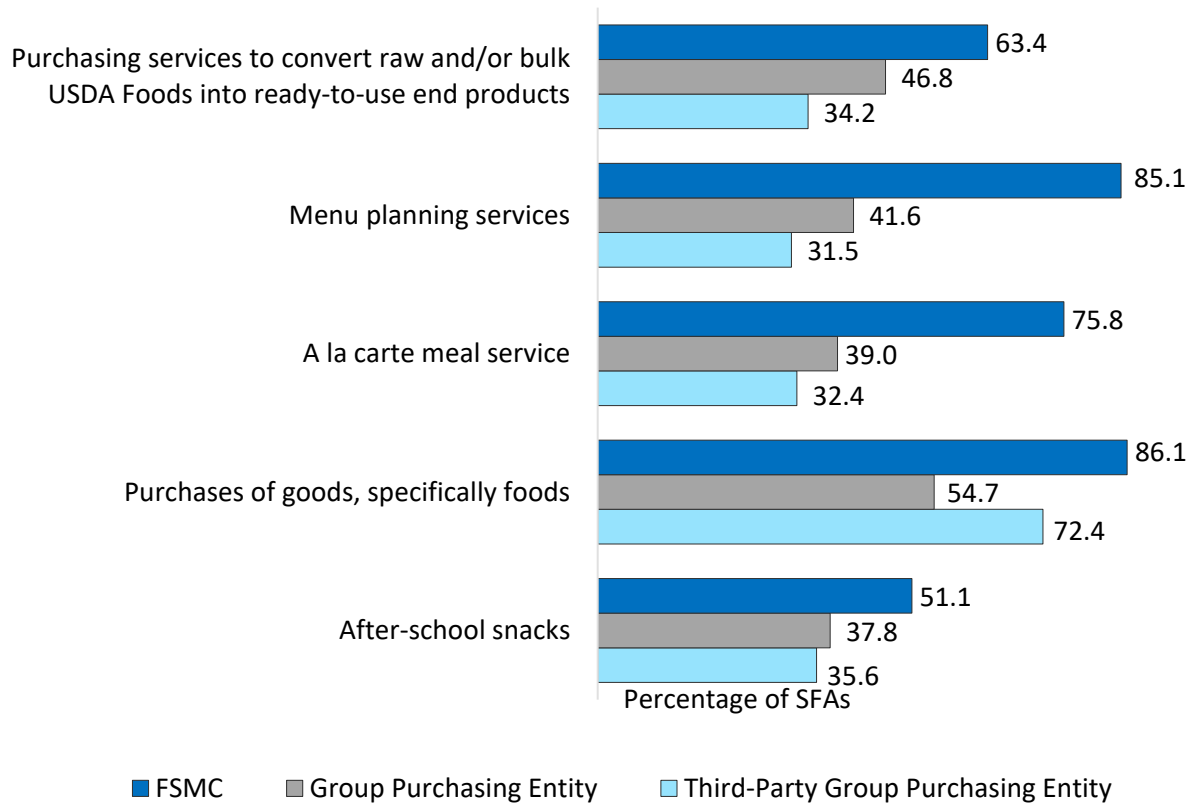
Notes: Multiple responses were permitted. Percentages are among SFAs that indicated use of the respective procurement entity. For example, 63.4 percent of SFAs that reported using FSMCs (weighted *n* = 3,877) used this entity to purchase services to convert raw and/or bulk USDA Foods into read-to-use end products.
Source: Table 5.3. Procurement Methods and Agreement Types for Sourcing CN Program Goods and Services in Appendix E.

Among the 26.2 percent of SFAs currently using FSMCs, many (78.0 percent) reported using the FSMC to procure inventory management services (Exhibit 24). In contrast, among SFAs using group purchasing entities or third-party group purchasing entities, the percentage of SFAs using these entities to procure inventory management services was 26.4 percent and 8.6 percent, respectively. The interviews supported the survey findings that SFAs using an FSMC heavily relied on the FSMC to source their food services. Small SFAs that participated in the interviews reported contracting with FSMCs more than other SFA sizes due to the reduction in administrative work, cost, and challenges to meeting the CN guidelines.

Exhibit 24. Procurement Entities for Sourcing Management Services, By SFAs That Reported Using Each Entity

Category	FSMC	Group Purchasing Entity	Third-Party Group Purchasing Entity
Safety and sanitation management	75.7	19.4	3.4
Program management	71.6	23.3	9.8
Personnel management and supervision	73.1	24.7	5.9
Meal service management at sites	76.6	23.3	11.9
Inventory management	78.0	26.4	8.6
Management services for CN Programs	74.6	27.7	18.8

Percentage of SFAs

■ FSMC   ■ Group Purchasing Entity   □ Third-Party Group Purchasing Entity

Notes: Multiple responses were permitted. Percentages are among SFAs that indicated use of the respective procurement entity. For example, 75.7 percent of SFAs that reported using FSMCs (weighted *n* = 3,877) used this entity to source safety and sanitation management services.
Source: Table 5.4. Procurement Methods and Agreement Types for Sourcing Management Services in Appendix E.

Among the 48.6 percent of SFAs using the sealed bid method to procure their goods and services, more than half (56.7 percent) used this method to purchase goods, specifically foods, and one-third of SFAs used sealed bids to procure after-school snacks (32.0 percent) and a la carte meal service (31.6 percent). Among SFAs using micro-purchases, less than half (41.6 percent) used micro-purchases to acquire goods, specifically foods. (Exhibit 25.)

Exhibit 25. Procurement Methods for Sourcing CN Program Goods and Services, By SFAs That Reported Using Each Method

Legend: ■ Micro-Purchase   ■ Small Purchase   ■ Sealed Bid

X-axis: Percentage of SFAs

Category	Micro-Purchase	Small Purchase	Sealed Bid
Purchasing services	26.7	26.9	14.8
Menu planning services	18.4	20.7	23.5
A la carte meal service	14.4	11.2	31.6
Purchases of goods, specifically foods	41.6	35.6	56.7
After-school snacks	13.1	9.8	32.0

Notes: Multiple responses were permitted. Percentages are among SFAs that indicated use of the respective procurement method. For example, 26.7 percent of SFAs that reported using micro-purchases (weighted *n* = 6,733) used this procurement method to source purchasing services.
Source: Table 5.3. Procurement Methods and Agreement Types for Sourcing CN Program Goods and Services in Appendix E.

For SFAs that reported using micro-purchasing (45.6 percent of all SFAs), small purchases (55.1 percent of all SFAs), or sealed bid (48.6 percent of all SFAs) procurement methods, fewer than 15 percent of the SFAs reported using any single method to source any of the different management services listed in the survey, though 12.0 percent of SFAs reported sourcing safety and sanitation management through a micro-purchase. (Exhibit 26).

Exhibit 26. Procurement Methods for Sourcing Various Management Services, By SFAs That Reported Using Each Method
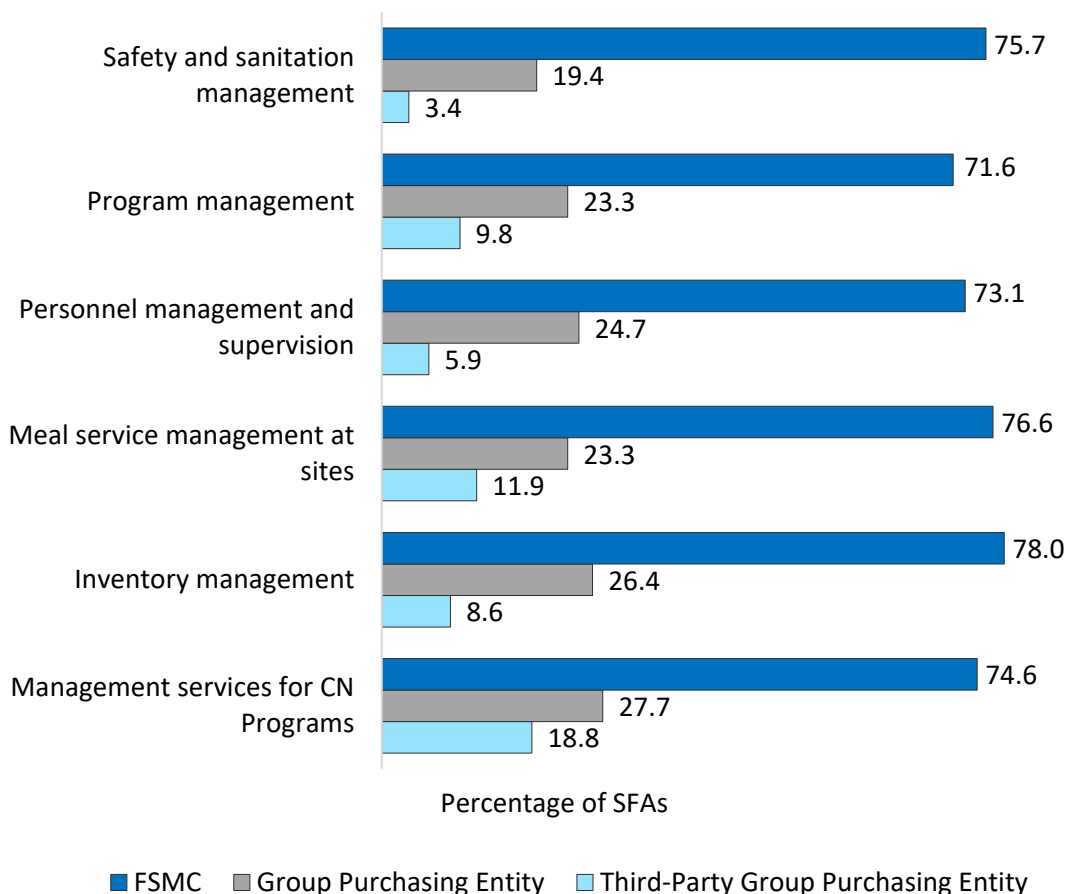

Notes: Multiple responses were permitted. Percentages are among SFAs that indicated use of the respective procurement method. For example, 12.0 percent of SFAs that reported using micro-purchases (weighted *n* = 6,733) used this procurement method to source safety and sanitation management services.
Source: Table 5.4. Procurement Methods and Agreement Types for Sourcing Management Services in Appendix E.

Of the SFAs using competitive proposals, about half (53.4 percent) used them when purchasing goods, specifically foods. For those SFAs using non-competitive proposals, approximately one-third (34.4 percent) used them to purchase goods, specifically foods, and after-school snacks (Exhibit 27).

Exhibit 27. Procurement Proposals for Sourcing CN Program Goods and Services, Among the SFAs That Reported Using Each Proposal Type
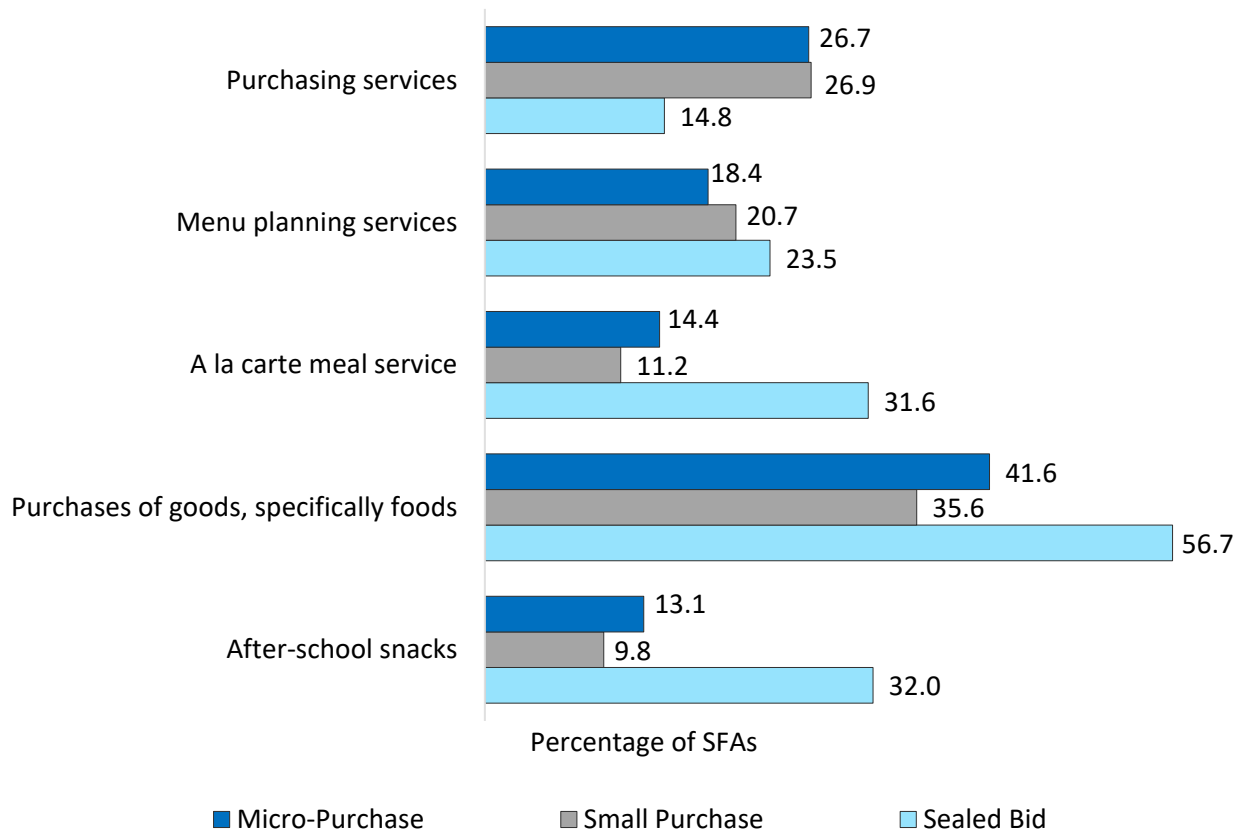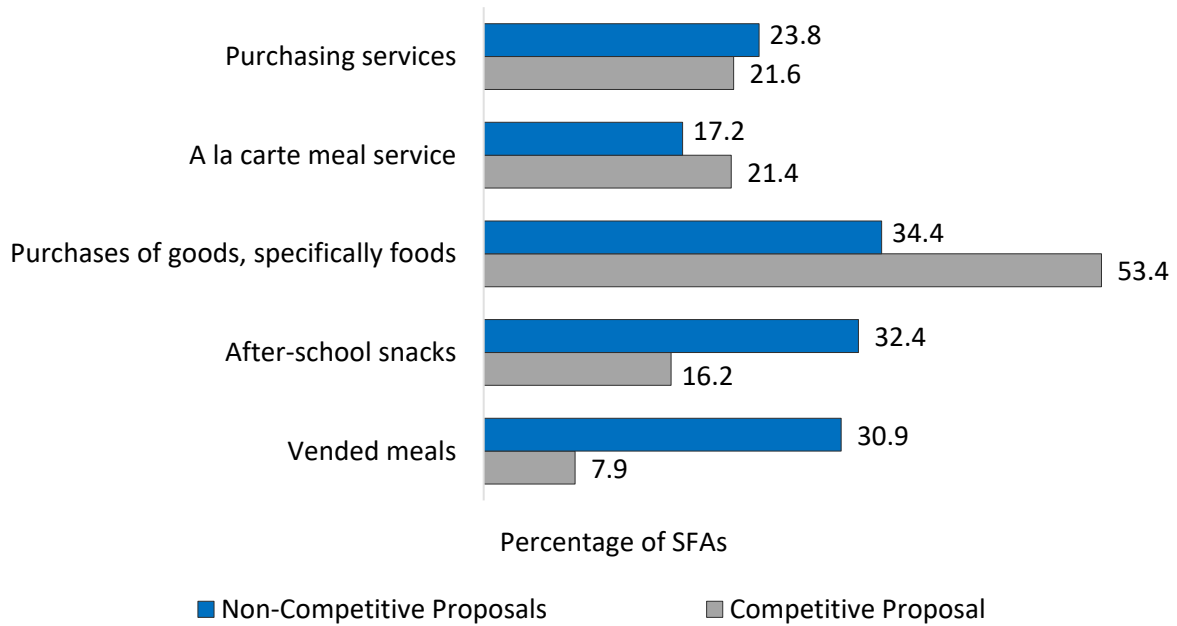

Notes: Multiple responses were permitted. Percentages are among SFAs that indicated use of the respective proposal type. For example, 23.8 percent of SFAs that reported using non-competitive proposals (weighted *n* = 2,359) used this proposal type to source purchasing services.
Source: Table 5.3. Procurement Methods and Agreement Types for Sourcing CN Program Goods and Services in Appendix E.

When procuring management services, 18.1 percent of SFAs that used non-competitive proposals did so to procure management services for CN programs whereas 4.5 percent of SFAs that used competitive proposals did so for the same service (Exhibit 28).

Exhibit 28. Procurement Proposals for Sourcing Management Services, Among the SFAs That Reported Using Each Proposal Type
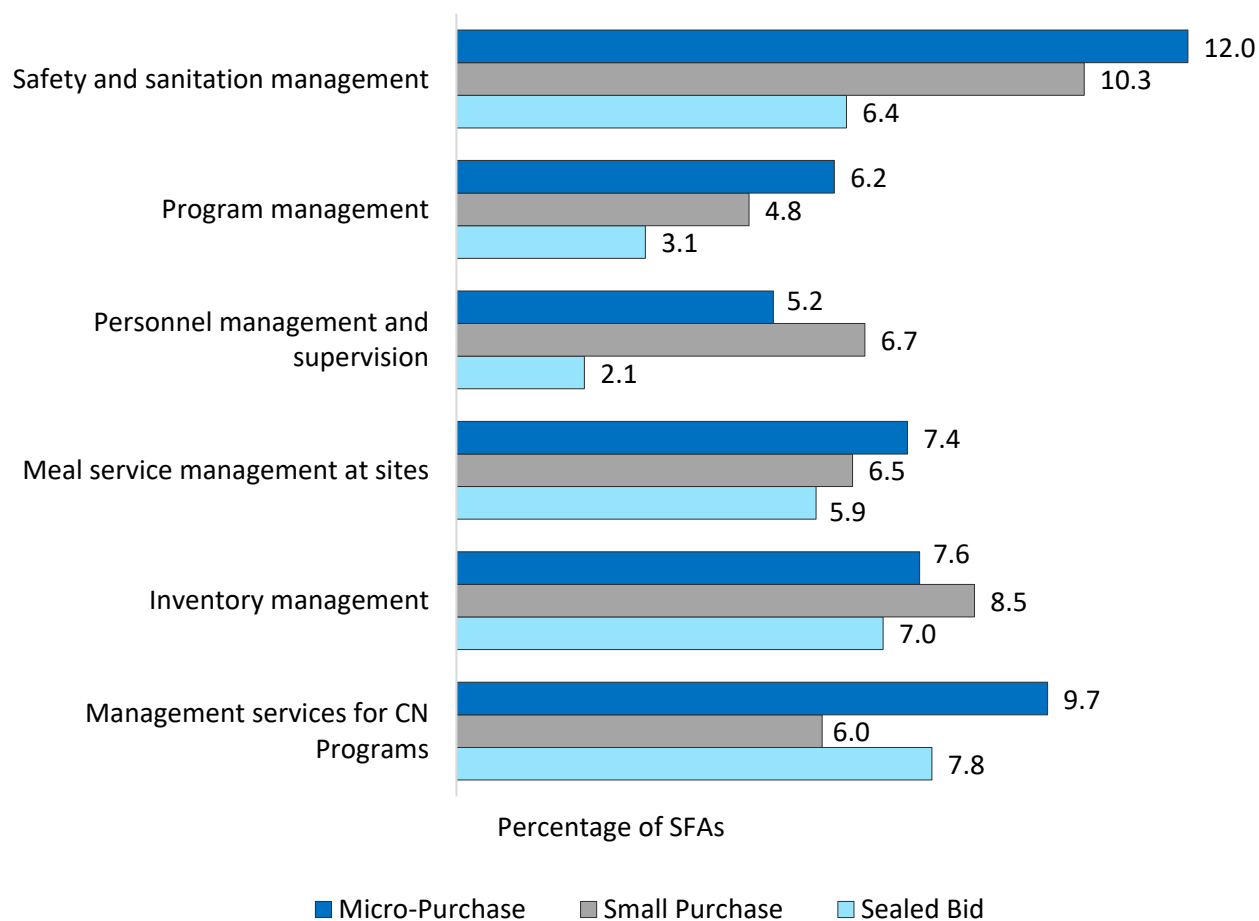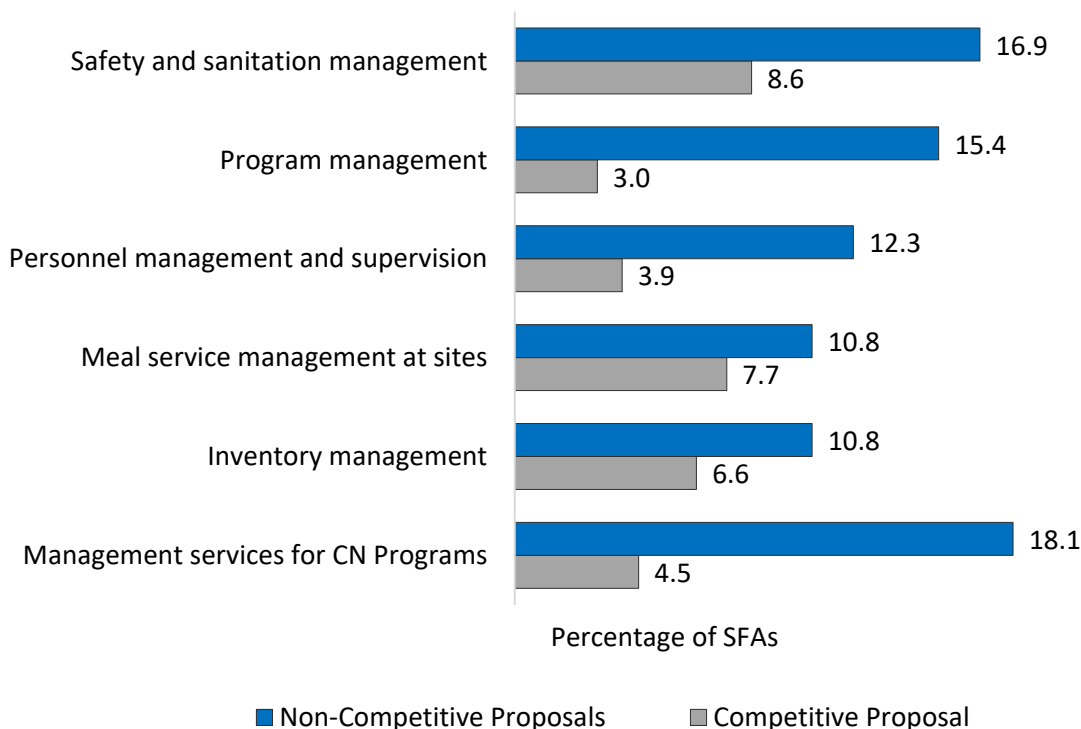

Notes: Multiple responses were permitted. Percentages are among SFAs that indicated use of the respective proposal type. For example, 16.9 percent of SFAs that reported using non-competitive proposals (weighted *n* = 2,359) used this proposal type to source safety and sanitation management services.
Source: Table 5.4. Procurement Methods and Agreement Types for Sourcing Management Services in Appendix E.

More than three-quarters (77.4 percent) of SFAs indicated that they used distributors to procure the majority of food products, followed by suppliers (12.8 percent) and manufacturers (3.2 percent) (Table 6).[36] Little variation was revealed when broken out by SFA size. No SFAs reported working directly with farmers, though it was offered as an option in the survey.

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[36] Definitions for the entities were not provided.

Table 6. Entity Used to Acquire the Majority of Food Products, by SFA Size

Entity	SFA Size Weighted Percentage of SFAs				
	All SFAs	Small (a)	Medium (b)	Large (c)	Very Large (d)
Distributors	77.4	70.9	81.9	85.6	89.5
Suppliers	12.8	15.2	11.8	7.9	4.4
Manufacturers	3.2	4.0	2.3	2.4	6.1
Don't know	6.7	9.9	4.0	4.1	0.0
Weighted *n*	14,728	6,880	5,686	1,809	353
Unweighted *n*	561	158	272	108	23

Notes: Letter superscripts to the right of percentages indicate a statistically significant pair-wise difference (Bonferroni, *p*-value < 0.05) between the subgroup with the superscript and the subgroup denoted by the superscript letter. For example, the superscript "a" denotes a statistically significant difference between the subgroup with the superscript and the Small SFA Size subgroup. Subgroup estimates without superscripts reflect differences that are not statistically significant.
Source: Table 5.1.A. Entity Used to Acquire the Majority of Food Products, by SFA Size in Appendix E.

3.3.2   SOURCING WITH COOPERATIVE PURCHASING

Use of Cooperative Purchasing for Procurement

Cooperative or group purchasing occurs when SFAs agree to combine resources to "accomplish all or part of the steps in the purchasing process."[37] SFAs choose to have their group purchasing entity execute all or part of the purchasing process.

SFAs that used a group purchasing entity procured most of their food products through that entity, some procuring more than 90 percent this way. Approximately half of the SFAs interviewed that procured food together said in the interviews that they sought out the cooperative arrangement, or another SFA approached them seeking to form a cooperative arrangement. Compared to small SFAs, medium and large SFAs more commonly reported that they sought out a group. Four SFAs reported in their interviews that they used a group purchasing arrangement while working at a previous SFA and sought a group purchasing arrangement when they joined their current SFA.

When asked why SFAs were using these arrangements, several interviewed SFAs cited improved purchasing power to lower prices and reduced administrative work. The SFAs indicated that, by combining their solicitations with those of other SFAs, they were able to increase the volume of products and thereby decrease the cost per product. Additionally, some smaller SFAs reported that they chose group purchasing arrangements because the arrangements ensured that they would have access to vendors that delivered ordered products and that SFAs received better service. With the many components and time investment involved in the procurement process, SFAs commented that having an entity handling most steps of the process, such as drafting RFPs and soliciting bids, helped reduce their workloads.

Some SFAs indicated that procurement regulations were complicated and challenging to understand. To ensure they were complying with regulations and to reduce the burden of researching and evaluating

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[37] Institute of Child Nutrition. (2015). *Procurement in the 21st century: Resource manual*.
https://doe.sd.gov/cans/documents/ICN-procurement.pdf

the regulations, some SFAs chose to use group purchasing arrangements, as the secondary party would ensure compliance.

More than half (56.1 percent) of all SFAs participated in group purchasing in some capacity. Conversely, 40.9 percent of SFAs indicated they did not participate in and had no interest in joining a group purchasing entity. The remaining 2.9 percent of SFAs were interested in group purchasing but found no entities available (Exhibit 29). SFAs also were asked about participation and interest in an interstate group purchasing program, which is usually a third-party entity that works across States, rather than just within one State. Sometimes, they pay a membership fee or enter into an intergovernmental or inter-entity agreement to purchase common or shared goods and services, but each entity operates differently. Less than 15 percent (13.8 percent) of SFAs responded that they participated in interstate group purchasing programs, and less than 2 percent of SFAs indicated they were interested in participating in one, but none were available (Exhibit 29).

Exhibit 29. SFA Participation in Group Purchasing and Interstate Group Purchasing Entities
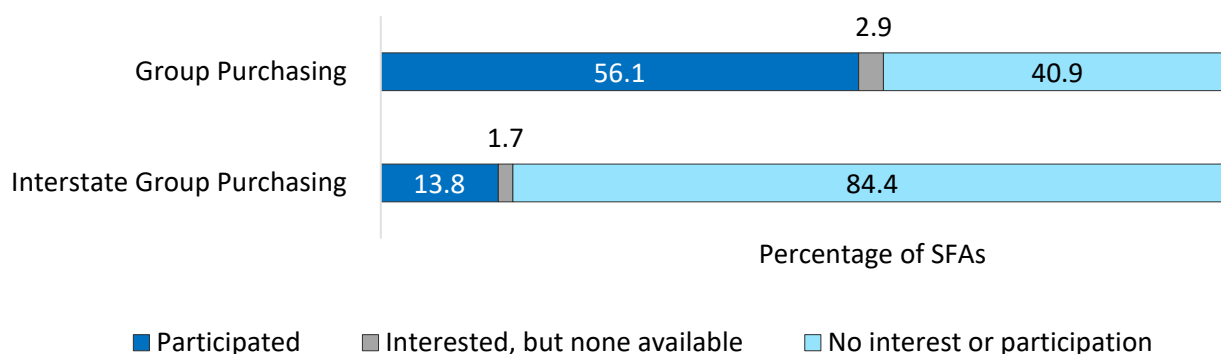
Percentage of SFAs

■ Participated　■ Interested, but none available　□ No interest or participation

Sources: Table 8.1.A. Participation in Group Purchasing, by SFA Size and Table 8.3.A. Participation in Interstate Group Purchasing, by SFA Size in Appendix E.

SFAs also can participate in Statewide purchasing cooperatives or programs administered by their State Office of Child Nutrition. The majority (69.8 percent) of SFAs indicated that their State Office of Child Nutrition did not offer a Statewide group purchasing agreement or other Statewide purchasing program (Table 8.4.A in Appendix E). Consequently, fewer than one in five SFAs (18.7 percent) participated in a Statewide purchasing cooperative program administered by their State Office of Child Nutrition, while 25.6 percent participated in a Statewide purchasing cooperative program not administered by their State Office of Child Nutrition (Table 8.4.A. in Appendix E).

The interviews indicated that SFAs were less involved in the procurement process when they used Statewide cooperatives or programs; instead, the cooperative staff managed most of the procurement process. They wrote specifications for solicitations, solicited bids, evaluated bids, awarded contracts, selected vendors, and communicated with selected vendors. The SFAs provided input on the solicitation specifications, assisted in product testing and selection, ordered available products, and paid the vendors.

Group purchasing ranged in size from fewer than 10 SFAs to more than 200. While most cooperatives included fewer than 20 SFAs, other cooperatives organized through regional service centers or via a Statewide bid, which tended to be larger. For example, as part of a Statewide bid, several SFAs indicated

their group purchasing agreement included more than 50 and as many as 250 SFAs within their State. Other groups organized through regional service centers within their States consisted of 20 to 60 SFAs, on average. SFAs in towns and rural areas were the most likely to say that they were participating in smaller cooperatives.

The fee structures for the cooperatives also varied. More than 65 percent of interviewed SFAs indicated during the interviews that they did not pay a fee to participate in the cooperatives. Some SFAs did have to pay a fee, however. In some cases (fewer than 20 of the SFAs), these fees were based on their student enrollment numbers, the percentage of the total purchases made through the group agreement, or a fixed annual fee. The paying SFAs indicated the rebates received from their purchases and the savings received from buying through the cooperative more than covered the fees.

SFAs reported increased buying power and cost savings as the primary benefits of using a group purchasing agreement. Because they were committing to purchasing a larger volume as a group, SFAs reported that they were able to get better prices on products. This notion was emphasized by small and medium-sized SFAs, as well as SFAs in towns and rural areas.

Several SFAs reported experiencing unexpected benefits as a result of group purchasing, like peer learning and access to a knowledgeable and experienced support system. The arrangements provided the SFA directors with opportunities to connect and learn from each other, as well as a support system that can advise when challenges arose. For newer SFA directors, these opportunities were particularly important because it gave them access to more experienced SFA directors who were key in the newer directors' onboarding processes. Additionally, multiple SFAs explained that the products and services received group purchasing orders were better quality and more consistent. When issues arose with the product or service, SFAs found that addressing these issues with the vendor was easier. The smaller, more rural SFAs reported that they had less purchasing power if they were not part of the cooperative, making participation advantageous.

However, some SFAs reported challenges with coordinating the needs of multiple SFAs in the arrangement. For example, if an SFA wanted a specific item not available through the group, they either had to identify a substitute item or procure the item directly from the supplier. A smaller number of SFAs, usually those who led a cooperative, mentioned that participating in the group was a lot of work since these SFAs were still required to handle all aspects of procurement.

3.3.3   SOURCING WITH FSMCs

Use of FSMCs for Procurement

The SFA dictates its relationship with the FSMC. Some SFAs contract an FSMC to have full control of the food service program, while other SFAs only need the FSMC to handle a single task, like procurement. Regardless of the level of involvement, the SFA is ultimately responsible for ensuring that the FSMC follows Federal, State, and local procurement rules. During the solicitation process, the SFAs must clearly describe to the FSMC their guidelines and any penalties if guidelines are violated.

Nearly three-quarters (73.8 percent) of all SFAs indicated they currently do not use an FSMC. Of the 26.2 percent of SFAs who use an FSMC , 8.0 percent indicated they did not know how long they have been using an FSMC and another 8.3 percent indicated they used an FSMC for 10 years or longer (Table 7).

Among SFAs that use an FSMC, nearly all (95.0 percent) reported contracting with only one FSMC (Table 7.1.A in Appendix E).

Table 7. Percentage of SFAs Using an FSMC, by Number of Years Used

Duration	Weighted Percentage of SFAs
Have been using an FSMC for…	
1 year	0.9
2 years	1.5
3–5 years	5.9
6–9 years	1.6
10 or more years	8.3
Don't know number of years	8.0
Not currently using an FSMC	73.8
Weighted *n*	14,628
Unweighted *n*	557

Source: Table 7.1.A. Years Using an FSMC in Any Capacity, by SFA Size in Appendix E.

SFAs cited several reasons why they chose to contract with FSMCs to operate the program and procure goods and services on SFAs' behalf. More than half (57.1 percent) of SFAs that use FSMCs reported using FSMCs to help maintain procurement compliance (Exhibit 30). They also reported that FSMCs help to resolve delivery issues (49.8 percent) and coordinate all aspects of procurement (48.7 percent). Additionally, 32.7 percent of SFAs indicated they contract with an FSMC because the contract was already in place prior to when the director's employment with the SFA. Most (83.9 percent) SFAs that reported FSMC services were already in use upon hiring also reported having used an FSMC for 10 or more years (Table 7.3 in Appendix E).

Further, as SFA size increased, so did the percentage of SFAs indicating an FSMC was already in use when the SFA director was hired (Table 7.3 in Appendix E). That is, 64.6 percent of large SFAs were already using an FSMC when the director was hired, compared to 31.7 percent of medium SFAs and 28.3 percent of small SFAs. During the interviews, SFAs indicated that they contracted with FSMCs to ensure adherence to State and Federal regulations. Because FSMCs can buy goods in larger quantities and receive better prices, SFAs indicated reported that using an FSMC helped reduce their expenses.

Exhibit 30. Reasons SFAs Use an FSMC among Those SFAs That Used an FSMC

Reason	Percentage of SFAs
Helps maintain procurement compliance	57.1
On-time delivery/resolve delivery issues	49.8
Coordinates all aspects of procurement	48.7
Procures products	48.5
Lower prices than vendors	42.9
More consistent prices than vendors	41.4
Year-round availability of key food products	38.8
SFA used an FSMC in past	38.5
Hires staff	38.0
FSMC already in use when director was hired	32.7

Percentage of SFAs

Source: Table 7.3.A. Reasons for Using FSMC Services, by SFA Size in Appendix E.

During the interviews, SFAs described the benefits of contracting with an FSMC. These perceived benefits were like those SFAs that participate in a cooperative purchasing agreement. SFAs indicated a primary benefit to contracting with an FSMC was reduced administrative burden on the SFA because the FSMC managed procurement, personnel, and compliance. Approximately one-fifth of interviewed SFAs added that, as a result of contracting with an FSMC, they were able to save money and buy new kitchen equipment. On the other hand, 10 SFAs reported that having limited control over the food service operations was a challenge, including issues with communication, personnel management, food quality, or menu items served.

Among the SFAs that used an FSMC, the majority (51.0 percent) indicated the FSMC(s) managed all aspects of procurement, whereas only 2.2 percent indicated the FSMC(s) managed only a single aspect (Exhibit 31).[38] SFAs using an FSMC were also asked about which specific services were sourced through the FSMC. The majority (79.4 percent) of SFAs using an FSMC indicated they used the FSMC to handle procurement regulation compliance, bulk product delivery (73.5 percent), and 7 staff support services (71.6 percent) (Table 5.5 in Appendix E).

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[38] In addition to the reasons for using an FSMC (Exhibit 30), SFAs were asked whether the FSMC(s) managed "only one aspect," "some, but not all aspects," or "all aspects" of procurement for the SFA's CN Programs. SFAs were instructed to consider all aspects of procurement, such as contracting for meal preparation, program administration, procuring processing for bulk USDA Foods items, and ordering processed USDA Foods, as well as services such as menu planning, and hiring, managing, and supervising personnel.

Exhibit 31. Percentage of SFAs Reporting how FSMCs Manage Aspects of Procurement
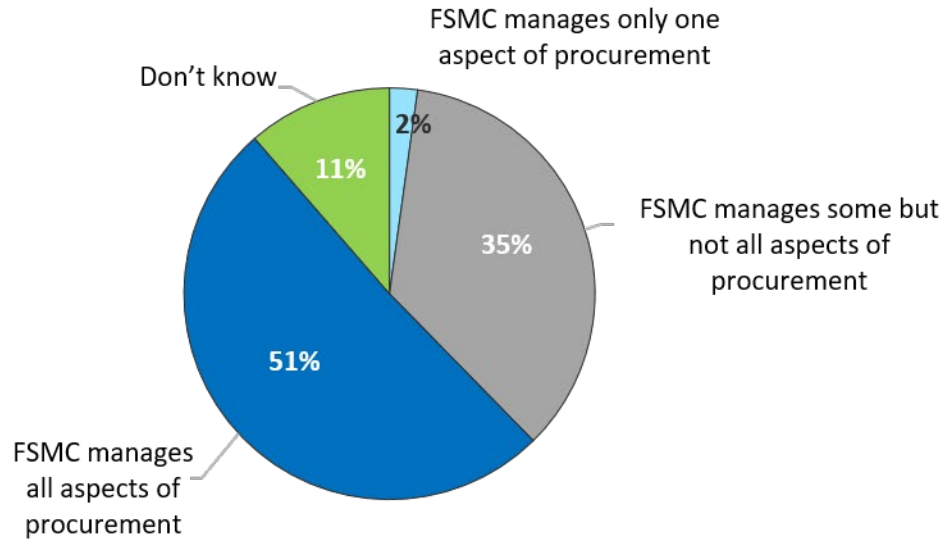
FSMC manages only one aspect of procurement — 2%

FSMC manages some but not all aspects of procurement — 35%

FSMC manages all aspects of procurement — 51%

Don't know — 11%

Source: Table 7.2.A. Degree to Which FSMCs Manage Procurement for SFAs' Child Nutrition Programs, by SFA Size in Appendix E.

Additionally, SFAs learn about available FSMCs through various sources. Of the SFAs that reported using an FSMC, 30.4 percent learned about available FSMCs through advertisements, one-fourth (25.9 percent) learned about FSMCs through their State Agencies, and approximately one-fifth (20.1 percent) learned from other SFAs and school officials (Exhibit 32).

Exhibit 32. Sources for Learning about Available FSMCs

	Percentage of SFAs
Advertised solicitation for FSMC services	30.4
State Agency	25.9
Other SFAs	20.1
School officials	19.0
Issued a Request for Information	14.6
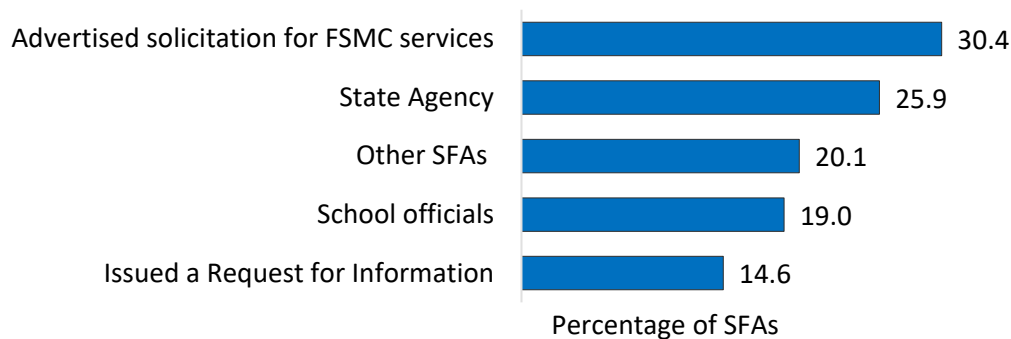
Source: Table 7.4. Sources for Learning About Available FSMCs, by SFA Size in Appendix E.

In addition, among the SFAs using an FSMC, nearly half of SFAs (48.1 percent) did not know whether the FSMC contracted with other SFAs. Fewer SFAs (44.1 percent) indicated that no other SFAs were included in FSMC contracts, and the remaining 7.1 percent indicated that one of their FSMC contracts includes other SFAs[39] (Table 7.5.A in Appendix E).

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[39] That is, the SFA is an arrangement with other SFAs on the same FSMC contract.

Contracting with FSMCs

When establishing contracts with FSMCs, SFAs reported they used State-provided resources and templates to establish the contract and monitor FSMC performance. The resources included language that requires the FSMCs to ensure compliance with State and Federal regulations, including the Buy American provision and meal pattern requirements.

SFAs used a variety of methods to monitor post-award FSMC performance; more than half (52.5 percent) of SFAs examined goods or services, invoices, and documentation provided by FSMCs in an effort to monitor (Exhibit 33). Approximately one-third (34.1 percent) of SFAs indicated they identified people within the SFA responsible for receiving goods and services, reviewed applicable FSMC certification records, and reviewed compliance reports to monitor FSMC performance.

During the interviews, the SFAs indicated that they reviewed FSMC reports and invoices to ensure FSMCs credited the nonprofit food service accounts for the value of the USDA Foods they received, as well as to ensure costs were allocated correctly. However, almost one-fifth of SFAs (18.6 percent) were uncertain of the method used to monitor FSMC performance (Table 7.6.A in Appendix E).

Exhibit 33. SFA Methods for Monitoring FSMC Performance After Contract Award

Monitoring Methods

53% Examine goods or services, invoices, and documentation provided by FSMC

34% Identify people within SFA responsible for receiving goods and services

33% Review applicable FSMC certification records

33% Review compliance reports

12% Request certification identifying percentage of U.S. content
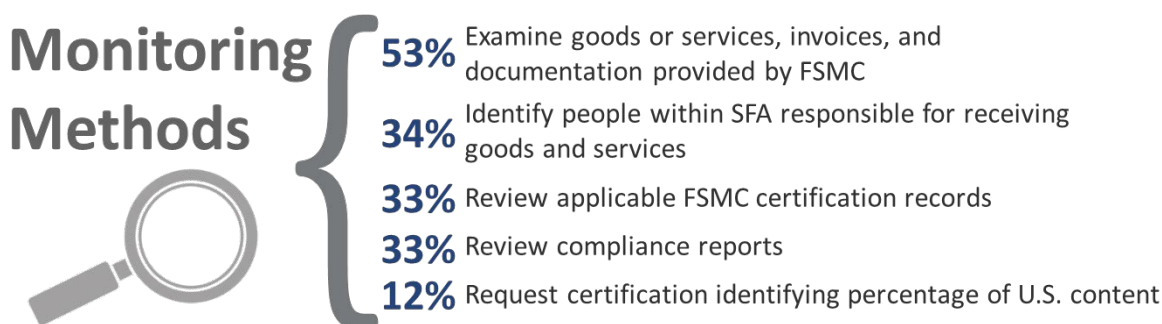
Source: Table 7.6.A. Methods for Monitoring FSMC Post-Award Performance, by SFA Size in Appendix E.

Many interviewed SFAs explained that they monitor vendor compliance for all contracts, although their methods differed depending on whether it was a contract with an FSMC or another kind of contract, due to differences in the types of services provided. SFAs that used an FSMC reported reviewing student participation rates; examining expense and revenue records, and menus; visiting schools to observe operations; and soliciting feedback from staff, students, and parents to ensure the FSMC met these groups' expectations. Similarly, the top methods for monitoring all contractor performance (not just that of FSMCs) after award included examining goods, services, invoices, and documentation provided by the contractor (68.5 percent) and confirming with people responsible for receiving goods and services (51.7 percent) (Table 4.1.A in Appendix E).

Most interviewed SFAs that contracted with FSMCs were satisfied with the services FSMCs provided. However, a few SFAs who encountered issues with communication, staff turnover, and food products reported they were less satisfied with FSMCs. An interviewed participant suggested that FSMCs increase communication with SFAs, while another suggested they continue to reduce operating costs.

3.4   Procurement of School Foods from Local Producers

The practice of sourcing foods from local producers and providing students education about such foods, nutrition, and farming continues to gain popularity. When developing solicitations and contracts, SFAs that participate in NSLP may specify that their foods come from a certain area (i.e., apply a geographic preference) when procuring unprocessed locally grown or raised agricultural products. When applying the optional geographic preference to a solicitation, SFAs outline produce requirements, which include only agricultural products that have not been significantly altered.[40] Geographic preference cannot apply to foods that have additives or foods that have been cooked, heated, or canned, but geographic preference applies to foods that meet the definition of not being processed or of being minimally processed.[41]

The planning process for procuring foods from local source is not much different than other procurements, but SFAs and schools must determine how to define the "local area" in which they clarify where the food was produced. Local area definitions can include a radius of a certain number of miles from a school or jurisdiction (e.g., county line), a single State, or within a group of States, among others. As SFAs source foods from local vendors or producers using the geographic preference option, SFAs must verify the s origin of the food to ensure it complies with their definition; such monitoring efforts are further detailed in Section 3.6.[42] Each food can have its own requirements in order to qualify; for example, an SFA could define their local area as within a 50-mile range for one food item and within-State for another.

In addition to providing locally sourced foods, some SFAs and schools try to educate students about local sourcing and food through the use of school gardening programs, farm visits, and the topic of locally sourced foods within the classroom curriculum.[43] States, SFAs, and schools, among others, can apply for funding from the Farm to School Grant Program, which distributes funding to improve access to foods from local sources, to improve training and technical assistance for accessing foods from local sources, and to distribute information on existing farm to school opportunities.[44]

3.4.1   DEFINING LOCAL AREA AND PROCUREMENT PRACTICES FOR LOCAL SOURCES

SFAs were asked to define local area for procurement purposes. The most frequently reported definition for a local area was product sourced within the State, with 29.7 percent of all SFAs selecting that option (Exhibit 34). Approximately 20 percent (19.5 percent) of SFAs indicated that they do not have a set definition for local area. A small percentage of SFAs defined local area as within 0–25 miles (2.6 percent) or within its FNS Region (2.4 percent).

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[40] Procurement, 7 C.F.R. § 210.21 (a-c) (2016) https://www.ecfr.gov/cgi-bin/text-idx?SID=4c211a738d6109939c6054a6286ac109&mc=true&node=pt7.4.210&rgn=div5#se7.4.210_121

[41] USDA. (2017). *Geographic preference: What it is and how to use it* [fact sheet]. https://fns-prod.azureedge.net/sites/default/files/f2s/GeoPreference.pdf

[42] *Ibid.*

[43] *Ibid.*

[44] USDA. (2019). *Farm to School Grant Program.* https://www.fns.usda.gov/cfs/farm-school-grant-program

Exhibit 34. Definitions of "Local Area" for School Foods

Some SFAs define "local area" within a jurisdiction, State, group, or FNS Region.

12% Within the county
30% Within the State
10% Within the State and adjacent States
2% Within the FNS Region

Some SFAs define "local area" by the number of miles from a school or jurisdiction.

3% Within 0–25 miles
10% Within 26–50 miles

Some SFAs do not have a set definition for "local area."

20% Do not have a definition

Notes: SFAs were asked to select one definition for defining local area from the following options: within a certain number of miles, county, State, State and adjacent States, FNS region, no set definition, or don't know or were unsure of the definition. **Source**: Table 6.1. Definition of "Local Area" for School Foods in Appendix E.

During the interviews, most SFAs indicated that they valued procurement of foods from local producers; however, the survey results found that 49.1 percent of SFAs do have a spending goal for local items. Of the 11.8 percent of SFAs with a goal, 5.4 percent indicated a spending goal of less than 20 percent of their budget. Less than 1 percent of SFAs indicated a spending goal for foods from local producers greater than 60 percent of their budget (Table 8).

SFAs also were asked to estimate their *actual* spending on foods from local producers during SY 2017–18. The majority (62.5 percent) of SFAs did not know the percentage of total food costs spent on locally produced food. Yet, 26.0 percent of SFAs reported that they spent between 0–19 percent of their SFA's food costs on local foods and 3.0 percent spent greater than 60 percent (Table 8).

Table 8. Spending Goal Versus Actual Spending on Foods from Local Producers

Percentage of Total Food Costs	Weighted Percentage of SFAs	
	Spending Goal	Actual Spending
0%–19%	5.4	26.0
20%–39%	4.9	7.2
40%–59%	0.9	1.3
60%–79%	0.6	0.8
80%–100%	0	2.2
SFA does not have percentage goal	49.1	N/A
Don't know	39.1	62.5
Weighted *n*	14,650	14,691
Unweighted *n*	558	559

Sources: Table 6.2.A. Spending Goal on Foods from Local Producers, by SFA Size and Table 6.3.A. Estimated Percentage of Spending on Foods from Local Producers, by SFA Size in Appendix E.

SFAs reported their practices for sourcing local and non-local products, including fruit, vegetables, grains, meats/meat alternates, and dairy and fluid milk, through a variety of procurement methods and purchasing entities in SY 2017–18 (Table 9).

Table 9. Local and Non-Local Sourcing, by Procurement Method and Food Group

Food Group	Weighted Percentage of SFAs Procurement Methods and Purchasing Entities							
	Competitive Proposal	Sealed Bid	Small Purchase	Micro-Purchase	Through an FSMC	Through a Group Purchasing Entity	Through a Third-Party Group Purchasing Entity	Non-Competitive Proposals
Fruit								
Local	52.6	40.5	60.1	73.3	82.4	51.5	64.2	53.9
Non-Local	64.3	48.0	44.4	41.7	76.0	53.3	78.8	31.9
Vegetables								
Local	51.0	40.8	55.8	62.3	81.2	53.7	61.0	57.0
Non-Local	64.2	50.9	48.1	39.9	70.5	57.8	68.2	38.9
Grains								
Local	40.1	51.9	31.1	23.9	74.5	57.7	49.6	48.9
Non-Local	62.0	58.4	31.5	35.0	73.1	59.3	69.4	32.7
Meats/Meat Alternates and Seafood								
Local	35.9	38.2	24.4	25.6	68.3	56.9	53.0	44.9
Non-Local	67.0	56.4	33.8	37.3	79.4	64.5	69.0	42.9
Dairy and Fluid Milk								
Local	65.4	70.6	34.2	17.5	77.7	50.9	48.0	40.7
Non-Local	39.6	47.2	21.9	22.2	50.4	30.0	52.4	31.3
Weighted *n*	3,879	4,693	4,024	2,851	3,159	1,880	1,393	1,002
Unweighted *n*	159	207	157	115	105	83	55	28

Notes: Multiple responses were permitted. Table estimates are among SFAs that indicated use of the respective procurement method/purchasing entity (see Tables 3.1 and 7.1 in Appendix E) and sourced foods locally and/or non-locally for at least one of the food groups listed (question 2.19). For additional details, including weighted and unweighted counts, please see Table 6.4 in Appendix E.

Among the 47.4 percent of SFAs that used competitive proposals, approximately two-thirds (65.4 percent) reported acquiring local dairy and fluid milk products through this mechanism; for all other food groups, competitive proposals were used to source non-local products more so than local products. For example, more than two-thirds (67.0 percent) of SFAs that used competitive proposals did so to obtain non-local meats/meat alternatives and seafood. This same pattern is seen among SFAs using sealed bids, group purchasing entities, and third-party group purchasing entities. Among SFAs that used small purchases and micro-purchases, more SFAs reported sourcing fruits and vegetables locally using these methods than SFAs that reported sourcing these items non-locally. Conversely, more SFAs indicated sourcing locally than non-locally in all food groups when they used non-competitive proposals.[45]

3.4.2   PROMOTING AND INCORPORATING LOCAL FOODS INTO SCHOOL FOOD PROGRAMS

More than half of interviewed SFAs indicated that they valued procurement of foods from local producers. Perceived benefits of purchasing these foods included connecting students to the source of

[45] As described in Section 3.2, non-competitive proposals are used in instances when the items can only be procured from a single source or when competitive proposals are unresponsive to the full terms and conditions of the solicitations.

their food, supporting the local community or economy, and increasing availability of higher quality items A small number (fewer than five) interviewed SFAs expressed negative feelings about procurement of foods from local producers.

Although most SFAs valued local procurement, SFAs also described a range of challenges to the procurement of foods from local producers. A lack of desired foods was a key challenge cited by almost half the SFAs for reasons such as distance, seasonality, and volume. Another challenge SFAs reported was the higher cost of foods. SFAs reported they were obligated to find the product with the best price, which was not often the locally produced option. However, some SFAs explained they would be willing to pay more for a local food that was of higher quality. Transportation was also frequently mentioned as a challenge because SFA directors found some farmers were unable to deliver to schools, which is where SFAs required delivery. For some SFAs, these were minor barriers; for others, these challenges prohibited procurement of foods from local producers altogether. SFAs that noted barriers felt it was impracticable to procure from local producers rather than because SFAs were opposed to the idea.

The most common practices to support local sourcing included using the geographic preference option, purchasing directly from local farmers using small or micro-purchases,[46] and promoting agricultural education in the cafeteria (Exhibit 35). Similarly, one-third of the SFAs did not directly use any purchasing or promotion activities, and 24.1 percent of the SFAs indicated their group purchasing entity did not use any of those activities.

Exhibit 35. Purchasing and Promotion Practices Used by SFAs, Group Purchasing Entities, and FSMCs to Support Local Producers
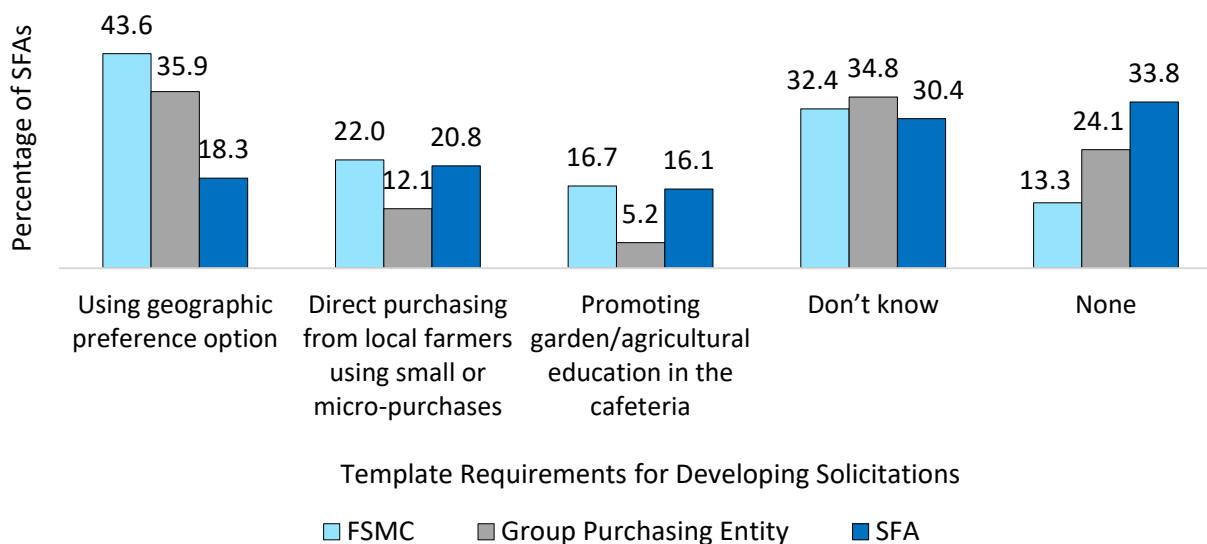
Sources: Table 6.5.A. Purchasing Practices Used by FSMC to Support Local Procurement, by SFA Size; Table 6.6.A. Local Food Purchasing and Promotion Practices in Group Purchasing Entities, by SFA Size; and Table 6.7.A. Purchasing and Promotion Practices Used by SFA Directly to Support Local Sourcing, by SFA Size in Appendix E.

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[46] Section 3.3 stated that none of the SFAs reported working directly with farmers to obtain the majority of their products. For this question, SFAs selected applicable purchasing and promotional practices that supported their procurement from local sources.

SFAs were asked whether they promoted any of the food purchasing or promotion practices listed in the survey as farm to school activities or initiatives. Nearly 40 percent (38.9 percent) indicated that they promoted food purchasing or promotion practices as part of farm to school activities or initiatives, while another 40.1 percent of SFAs did not do so (Exhibit 36). When these findings were compared by SFA size, large SFAs were significantly ($p < 0.05$) more likely to promote local procurement as part of farm to school efforts compared to medium and small SFAs. When asked about best practices for procurement of food from local producers, SFAs explained that they ensured their local producers use Good Agricultural Practices[47] in order to comply with regulations of CN Program regulations.

Exhibit 36. Percentage of SFAs that Promote Local Procurement

39% of SFAs promoted local procurement as part of farm to school activities.

40% of SFAs did not promote local procurement as part of farm to school.

More large SFAs promoted local procurement as part of farm to school activities compared to other SFA sizes.

More SFAs in **suburban locations** promoted local procurement as part of farm to school compared to those in other locations.

Notes: These findings are statistically significant at $p < 0.05$: Large SFAs (57.2 percent) were significantly more likely to promote local procurement practices as farm to school activities compared to medium (46.7 percent) and small SFAs (26.2 percent). SFAs in rural areas (47.7 percent) were significantly less likely to promote local procurement practices as farm to school activities compared to SFAs located in cities (25.0 percent).

Source: Table 6.8.A. SFA Promotes Local Procurement Practices as Farm to School, by SFA Size in Appendix E and Table 6.8.B. SFA Promotes Local Procurement Practices as Farm to School, by Urbanicity in Appendix E.

3.5   USDA Foods

The USDA Foods in Schools program supports domestic nutrition programs and American agricultural producers through purchases of domestic agricultural products for use in meals served in schools, sponsors, and institutions operating NSLP, CACFP, and SFSP.[48] Here, USDA Foods includes USDA Foods direct delivery, USDA Foods bulk for processing, and the USDA Department of Defense Fresh Fruit and Vegetable Program (USDA DoD Fresh). USDA Foods direct delivery provides finished processed end-products, procured by the USDA, donated to State Distributing Agencies, and then distributed to SFAs. Bulk purchases of USDA Foods allow SFAs to contract with commercial food processors to convert raw and/or bulk USDA Foods into a variety of processed end-products. When SFAs procure food products from USDA Foods, they often use this bulk for processing option. For example, an SFA might obtain

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[47] Good Agricultural Practices are principles focused on improving on-farm production processes. These principles focus on chemical, microbiological, and physical hazards and require farmers to take proactive measures to reduce hazards that could affects products. Please note that these practices are not required by FNS but might be required by the State or local government. (See: U.S. Department of Agriculture. (2013) *Implement Farm to school Activities: Food Safety. Good Agricultural Practices and Good Handling Practices.* Retrieved from https://www.fns.usda.gov/cfs/implementing-farm-school-activities-food-safety#gapghp).

[48] U.S. Department of Agriculture. (2020). *USDA Foods in schools/Child Nutrition USDA Foods program* [fact sheet]. Retrieved from https://fns-prod.azureedge.net/sites/default/files/resource-files/USDA-FIS-program-fact-sheet-2020.pdf

whole apples through USDA Foods but then send the apples for processing into applesauce before the product is delivered to the SFA.[49] Overall, USDA Foods provides SFAs a wider variety of end products that meet nutrition and program needs, while also providing a marketing opportunity for food processors.[50]

Value pass-through is the means by which SFAs use to credit for the value of USDA Foods used when purchasing food products containing USDA Foods. Specifically, "value pass-through means the regular price of a purchased end product is discounted or refunded for the value of the USDA Foods contained in each case." Importantly, "the underlying principle for value pass-through is to ensure that the recipient agencies receive the full value of the USDA Foods in products they receive from further processors."[51] This method helps the SFAs receive credit for the portion of UDA Foods used in commercially purchased processed food products. For example, an SFA could purchase directly from a processor at an established commercial price minus the value of any USDA Foods contained in the end products. The processor invoices the SFA at a net price and the inventory of USDA Foods is reduced.

To receive credit for USDA Foods in processed end products, nearly half (42.8 percent) of the SFAs used net-off invoices as the value pass-through method (Exhibit 37). However, 43.3 percent of SFAs did not know which value pass-through method they used to obtain credit.

Exhibit 37. Value Pass-Through Methods Used by SFAs

43% Net-off invoices

21% Rebates

17% Fee-for-service

13% Direct discount

43% Don't know
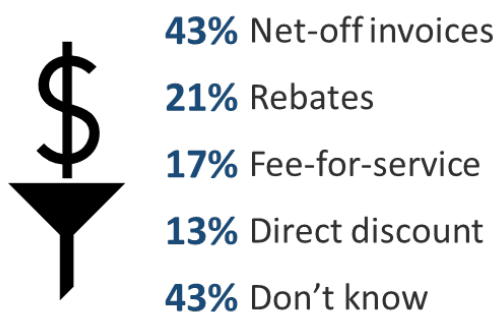
Source: Table 5.8.A. Value Pass-Through Method Used to Obtain Credit for USDA Foods in Processed End Products, by SFA Size in Appendix E.

USDA DoD Fresh promotes local produce farmers by allowing schools to use USDA Foods entitlement dollars to purchase fresh produce from approved suppliers.[52] Using an online receipt system called the Fresh Fruits and Vegetables Order Receipt System (FFAVORS), SFAs can see which items are for purchase, along with the product State of Origin. SFAs might use USDA DoD Fresh to buy from local sources, which the program defines "produce from within the State or adjacent States."[53] Almost half

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[49] *Ibid.*

[50] USDA. (2018). *USDA Foods in schools further processing fact sheet* [fact sheet]. https://fns-prod.azureedge.net/sites/default/files/fdd/Processing-Fact-Sheet.pdf

[51] USDA. (2016). *Processing webinar series: USDA Foods value pass through* [webinar]. https://www.fns.usda.gov/usda-fis/usda-foods-value-pass-through

[52] USDA, FNS. (2019). *USDA DoD Fresh Fruit and Vegetable Program*. https://www.fns.usda.gov/usda-foods/usda-dod-fresh-fruit-and-vegetable-program

[53] USDA. (2017). *Using USDA DoD Fresh to Purchase Local Produce*. https://fns-prod.azureedge.net/sites/default/files/f2s/DoDFresh.pdf

(47.9 percent) of all SFAs reported participation in USDA DoD Fresh in SY 2017–18 (Table 5.2.A in Appendix E). There were statistically significant differences ($p < 0.05$) in SFA participation rates by SFA size; small SFAs (36.5 percent) were less likely to participate in USDA DoD Fresh than medium (55.0 percent), large (63.4 percent), and very large (78 percent) SFAs.

SFAs indicated they had various strategies to procure processed foods or ready-to-use end products through USDA Foods (Exhibit 38). While they might use multiple methods, 44.3 percent of SFAs diverted USDA Foods for further processing and 38.5 percent of SFAs competitively procured services to convert these foods into ready-to-use end products. States also can contract with commercial food processors to convert raw and/or bulk USDA Foods into ready-to-use end products. Slightly more than a third (35.4 percent) of SFAs purchased processed (ready-to-use) end products from a State contract.

Exhibit 38. SFA Strategies for Sourcing Processed Foods or Ready-to-Use End Products

44% of SFAs divert USDA Foods for processing

38% of SFAs competitively procure services to convert foods into ready-to-use end products

35% of SFAs purchase processed items from State contract
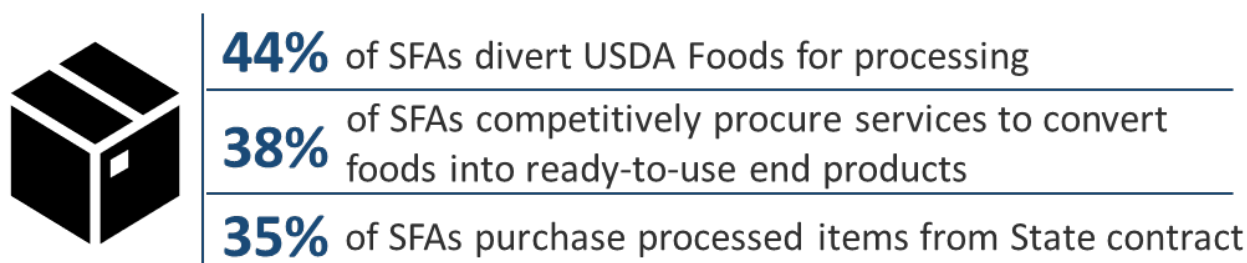
Source: Table 5.6.A. SFA Strategies for Sourcing Processed Foods or Ready-to-Use End Products, by SFA Size in Appendix E.

SFAs also were asked how they competitively procured USDA Foods processed end products, almost half (46.9 percent) allowed broadline distributors to procure finished products (Exhibit 39). More than one-third (39.0 percent) of SFAs procured services directly with manufacturers or food processors that have USDA national processing agreements, and more than one-fifth (21.3 percent) purchased finished products contracted by an FSMC, cooperative purchasing group, and/or group buying organization.

Exhibit 39. Approaches to Competitively Procure USDA Foods Processed End Products

	Percentage
Allowed distributors to procure finished products	46.9
Procured directly with manufacturers or food processors with USDA national processing agreements	39.0
Procured finished products contracted by FSMC, cooperative purchasing group, and/or group buying organization	21.3

Percentage of all SFAs
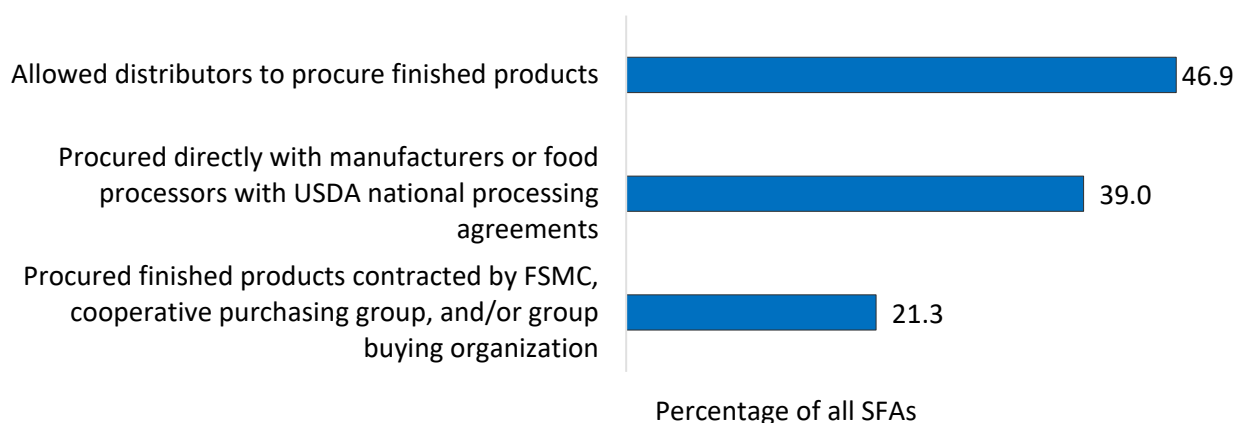
Notes: Among the 21.3 percent of SFAs that indicated finished products are contracted by FSMC, cooperative purchasing group, and/or group buying organization, 48.2 percent reported using an FSMC and 64.6 percent reporting using a group purchasing entity.
Source: Table 5.7.A. SFA Approaches to Competitively Procure USDA Foods Processed End Products, by SFA Size in Appendix E.

3.6   Contract Monitoring

Federal regulations outline monitoring efforts for CN Programs to be conducted at both the State Agency and SFA level. State Agencies monitor SFAs' performance regarding the specifications, terms, and conditions of their contracts, as well as compliance with meal access and reimbursement, meal pattern and nutritional quality, and other general areas, including resource management and program compliance. To meet these listed requirements, SFAs monitor school food program administration and operations. They must ensure that procured foods and services support the lunch and after-school snack requirements, that they document compliance, that FSMCs and suppliers fulfill contractual obligations, and that the solicitation, bidding, and contractual process clearly outlines food and service requirements.[54]

3.6.1   MONITORING PROCUREMENT DECISIONS

SFA directors were asked to select the monitoring practices used to provide adequate oversight of the procurement-related decisions made by SFA staff. More than half of all SFAs used invoice records (64.0 percent), meal production records (56.0 percent), and meal count records (53.4 percent) to review procurement decisions (Exhibit 40). More than 30 percent of SFAs used site visits (31.2 percent) and meetings (30.9 percent) to monitor procurement decisions. A small percentage of SFAs (5.0 percent) indicated that they do not monitor procurement decisions (Tables 2.6.A. and 2.7.A in Appendix E).

Exhibit 40. Mechanisms Used to Monitor Procurement Decisions by Percentage of SFAs
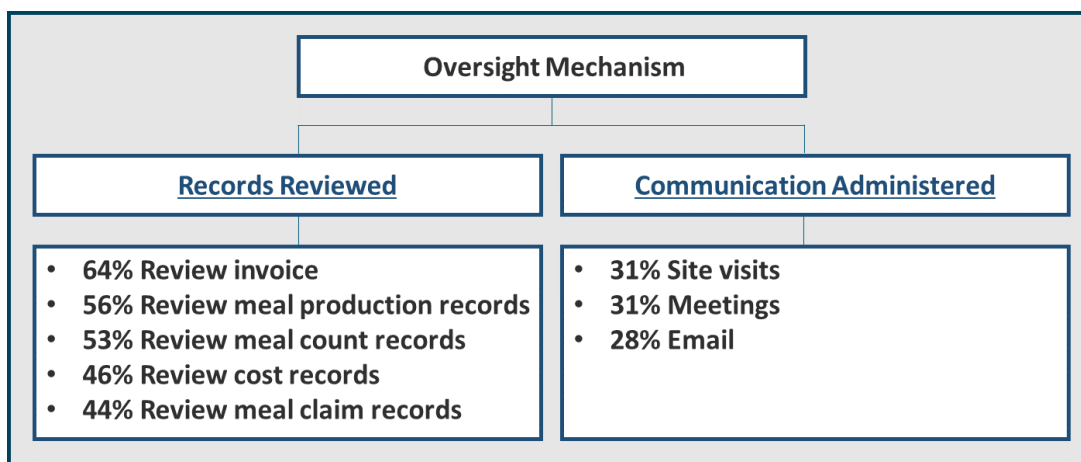
Sources: Table 2.6.A. Records Used to Monitor Procurement Decisions, by SFA Size in Appendix E and Table 2.7.A. Communications Means Used to Monitor Procurement Decisions, by SFA Size in Appendix E.

3.6.2   MONITORING CONTRACT PERFORMANCE

SFAs use a variety of methods to monitor contract performance to maintain compliance for their food service programs. The most popular methods to monitor contractors post-award were examining goods, services, invoices, and documentation provided by the contractor (68.5 percent) and confirming with people responsible for receiving goods and services (51.7 percent) (Exhibit 41).

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[54] Procurement, 7 C.F.R. § 210.21 (a-c) (2016) https://www.ecfr.gov/cgi-bin/text-idx?SID=4c211a738d6109939c6054a6286ac109&mc=true&node=pt7.4.210&rgn=div5#se7.4.210_121

Exhibit 41. Contract Performance Monitoring Methods

Method	Percentage
Examine goods, services, invoices, and documentation provided by contractor	68.5
Confirm with people responsible for receiving goods and services	51.7
Review compliance reports	15.2
Request certification identifying percentage of U.S. content in supplied commercially procured foods	14.5
Review applicable contractor certification records	13.9
Other	3.4
Don't know	20.5

Percentage of all SFAs
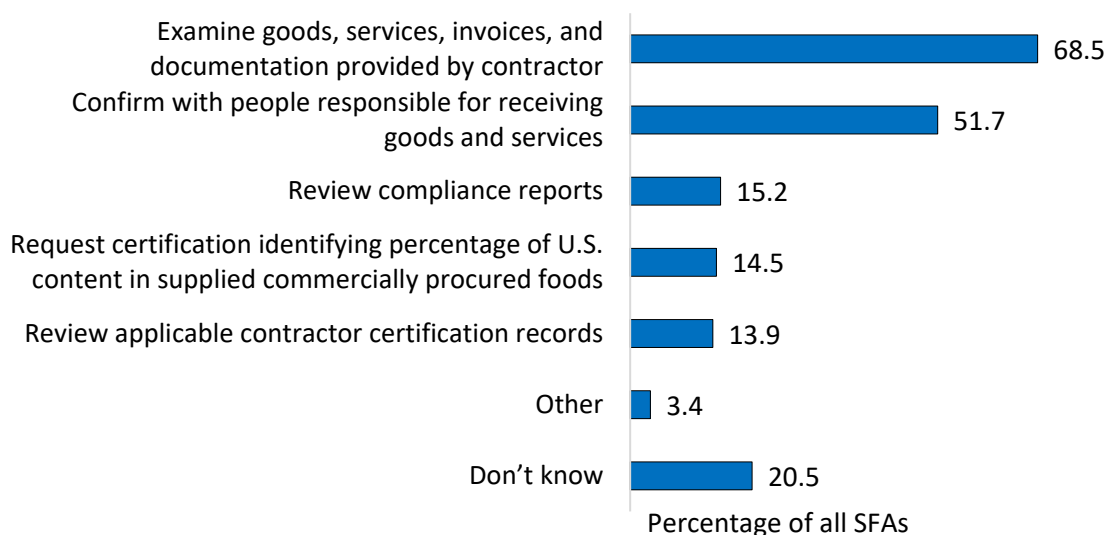
Source: Table 4.1.A. Contractor Performance Monitoring Methods, by SFA Size in Appendix E.

In the interviews, most SFAs reported that they monitored vendors' performance in multiple ways, though the SFA size indicated the method. Very large SFAs were more likely than smaller ones to report compiling documentation (e.g., invoices, notes about the vendor, or internal SFA checklists) as a way of monitoring vendors, but they were less likely than SFAs of other sizes to perform other types of monitoring such as observing vendor performance in cooperation with schools. SFAs stressed that communicating with vendors was a key part of monitoring efforts and resolving issues, which they did on an ongoing basis throughout the school year and life of the contract.

Observation was another common way to ensure vendors were meeting their contractual requirements. Often a collaborative effort between SFAs and schools, the SFAs observed some aspects of vendor performance and relied on cafeteria staff to monitor aspects such as product quality and on-time delivery, with some SFAs providing guidance to school nutrition managers or other cafeteria staff. SFAs monitored vendors by reviewing invoices and other documentation; for example, SFAs reported they check that the products delivered matched those requested in the contract and that the costs for products and deliveries in fixed-price contracts remained consistent throughout the school year. SFAs also reviewed documentation from vendors for changes in product prices in cost-reimbursable contracts or fixed-price contracts with economic price adjustments.

Group purchasing entities often played a role in monitoring contractors. To illustrate, SFAs reported that they would voice concerns about the contractor to the group purchasing entity and the group purchasing entity would resolve the concern with the contractor. In this situation, SFAs worked collectively to resolve contractor issues. Some group purchasing entities employed a designated position, such as a bid coordinator, to resolve problems with contractors' performance.

3.6.3 VERIFYING DOMESTIC COMMODITIES

SFAs were asked how they verified that the domestic commodity or product received was the same as solicited and awarded. Though responses were not mutually exclusive, the majority of SFAs primarily

examined products to verify, followed confirming with the person who received the food (Exhibit 42). SFAs also reported that they request certification identifying percentage of U.S. content (16.1 percent), review applicable contractor certification records (10.0 percent), and review compliance reports (9.0 percent). Overall, almost one-fifth of SFAs were unable to report the method used to verify the domestic product. Generally, a higher percentage of very large SFAs used these methods to verify domestic products than other SFAs; 78.8 percent of very large SFAs reported examining goods, services, invoices and/or documentation provided by the contractor compared to 57.7 percent of small SFAs, 56.8 percent of medium SFAs, and 59.9 percent of large SFAs (Table 4.3.A in Appendix E).

Exhibit 42. Methods to Verify Domestic Commodities

Method	Percentage
Examine goods, services, invoices, and/or documentation provided by contractor	58.1
Confirm with people responsible for receiving food	43.9
Request certification identifying percentage of U.S. content	16.1
Review applicable contractor certification records	10.0
Review compliance reports	9.0
Don't know	19.1

Percentage of all SFAs
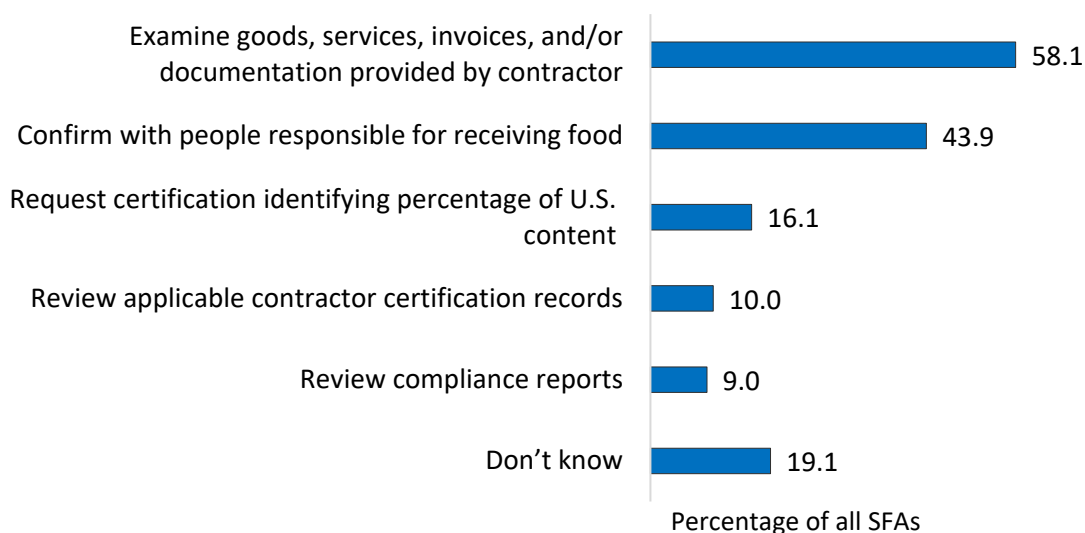
Source: Table 4.3.A. Methods Used to Verify Domestic Commodities, by SFA Size in Appendix E.
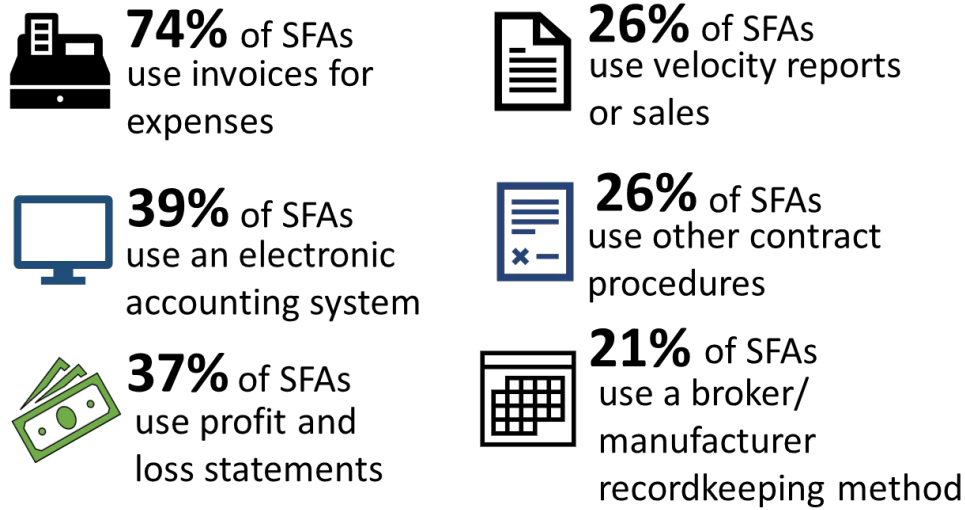
3.6.4 TRACKING DISCOUNTS, REBATES, AND CREDITS

Most SFAs (74.3 percent) reported using invoices for expenses to track discounts, rebates, and credits for commercially purchased foods in cost-reimbursable contracts in SY 2017–18. Other notable tracking records and methods SFAs used included electronic accounting systems (38.7 percent) and profit and loss statements (36.7 percent) (Exhibit 43). Additional records and methods that SFAs used for tracking efforts included velocity reports[55] or sales information (26.4 percent), procedures defined in contract (26.2 percent), and recordkeeping method used by their broker[56] or manufacturer (20.7 percent). All very large SFAs reported that they examined invoices, used an electronic accounting system, and reviewed procedures defined in the contract to track discounts, rebates, and credits (Table 4.4.A in Appendix E). Further, 63.5 percent of small SFAs, 84.2 percent of medium SFAs, and 75.6 percent of large SFAs used invoices for expenses. In addition, 36.6 percent of small SFAs, 32.9 percent of medium SFAs, and 54.4 percent of large SFAs used electronic accounting systems.

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[55] Velocity reports provide the product, quantity, date of purchase, and additional information of food items purchased.
[56] A broker is a manufacturer's sales representative. Brokers typically represent multiple manufacturers.

Exhibit 43. Popular Methods to Track Discounts, Rebates, and Credits for Commercially Purchased Foods in Cost-Reimbursable Contracts

74% of SFAs use invoices for expenses

26% of SFAs use velocity reports or sales

39% of SFAs use an electronic accounting system

26% of SFAs use other contract procedures

37% of SFAs use profit and loss statements

21% of SFAs use a broker/ manufacturer recordkeeping method
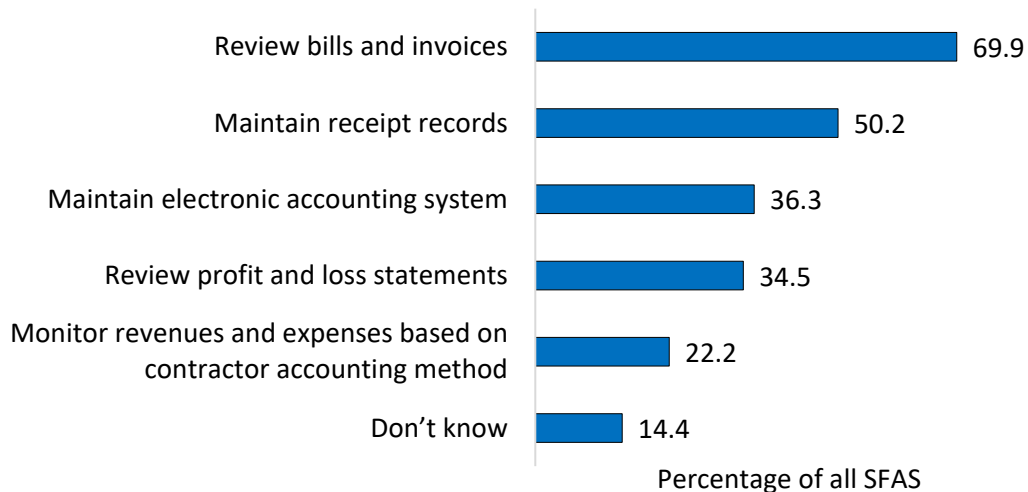
Source: Table 4.4.A. Records and Methods Used to Track Discounts, Rebates, and Credits for Commercially Purchased Foods in Cost-Reimbursable Contracts, by SFA Size in Appendix E.

3.6.5   IDENTIFYING ACCOUNTING ERRORS

SFAs also reported how they identified accounting errors when tracking discounts, rebates, and credits in cost-reimbursable contracts. Most SFAs (69.9 percent) reviewed bills and invoices to identify these accounting errors. Half (50.2 percent) of the SFAs examined receipt records to identify accounting errors for commercially purchased foods in cost-reimbursable contracts (Exhibit 44).

Exhibit 44. Methods Used to Identify Accounting Errors in Cost-Reimbursable Contracts

Method	Percentage
Review bills and invoices	69.9
Maintain receipt records	50.2
Maintain electronic accounting system	36.3
Review profit and loss statements	34.5
Monitor revenues and expenses based on contractor accounting method	22.2
Don't know	14.4

Percentage of all SFAS

Source: Table 4.5.A. Methods Used to Identify Accounting Errors in Cost-Reimbursable Contracts, by SFA Size in Appendix E.

The interviews further demonstrated that SFAs had well-established processes for identifying and rectifying accounting errors. If the SFA director identified a vendor's error, the SFA would communicate the error to said vendor and they would work together to resolve the error. When asked whether the process for rectifying accounting errors varied depending on the contract type, SFAs said there were no differences in their process since all contracts were managed by the same staff using the same accounting system.

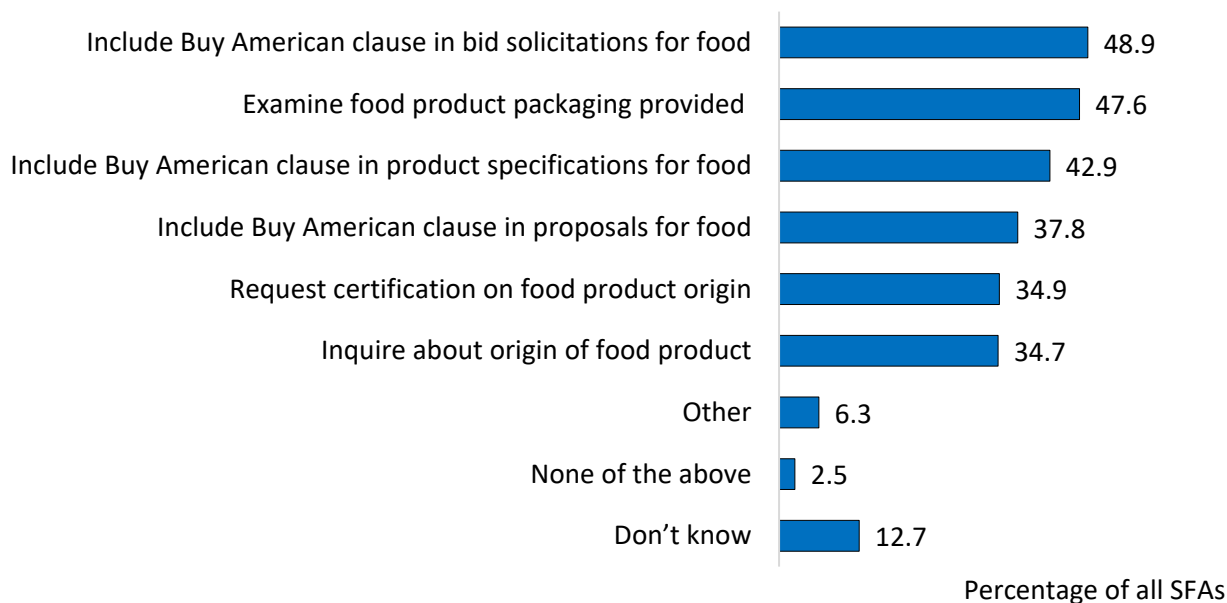### 3.6.6   COMPLIANCE WITH BUY AMERICAN PROVISION

The purpose of the survey and interviews was to give insight into the methods and processes used to ensure foods and food products met the requirements of the Buy American provision, which requires SFAs in the continental United States to purchase domestic agricultural commodities or food products. This requirement extends to both unprocessed and processed foods; SFAs must purchase domestically produced foods and food products, and food products must be processed in the United States containing at least 51 percent domestic commodities. There are limited exception in which an SFA can approve the purchase of a non-domestic food or food product: (1) when a product is not produced or manufactured in the United States in sufficient quantity or quality and (2) when competitive bids reveal that the cost of the domestic product is higher than the cost of nondomestic products.[57]

SFAs used a variety of strategies to ensure their foods remained in compliance with the Buy American provision; they incorporated requirements into solicitations (48.9 percent) and also inspected foods upon delivery (47.6 percent) (Exhibit 45). Interviewed SFAs reported including the Buy American provision language in contracts and solicitations better ensured that vendors and distributors were aware of the provision and stayed in compliance. While some SFAs reported that their cooperative purchasing entity handled these activities, other SFAs received templates from their State Agency that included language covering the Buy American provision. Overall, SFAs reported including the Buy American clause for food products in bid solicitations, product specifications, and proposals.

Further, larger SFAs reported using methods and processes—that is, including the Buy American clause in bid solicitations, product specifications, proposals, procurement documents, or purchase orders—to ensure compliance with the Buy American provision more than the smaller SFAs. For example, 82.9 percent of very large SFAs reported that they include the Buy American clause in bid solicitations for food compared to only 35.6 percent of small SFAs (Table 4.2 in Appendix E).

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[57] The Buy American provision is incorporated into solicitations and contracts; the SFA then monitors to ensure compliance. U.S. Department of Agriculture, Food and Nutrition Service. (2019). *Buy American: Supporting domestic agriculture in school meals.* Retrieved from: https://fns-prod.azureedge.net/sites/default/files/resource-files/FactSheet_BuyAmerican.pdf

Exhibit 45. Methods to Ensure Compliance with Buy American Provision

Method	Percentage
Include Buy American clause in bid solicitations for food	48.9
Examine food product packaging provided	47.6
Include Buy American clause in product specifications for food	42.9
Include Buy American clause in proposals for food	37.8
Request certification on food product origin	34.9
Inquire about origin of food product	34.7
Other	6.3
None of the above	2.5
Don't know	12.7

Percentage of all SFAs

Source: Table 4.2. Methods to Ensure Compliance with Buy American Provision, by SFA Size in Appendix E.

Multiple SFAs stated in their interviews that vendors provided information needed to maintain compliance with the Buy American provision, including documenting exceptions. Interviewed SFAs that participate in group purchasing reported partial or complete reliance on the group purchasing entity to approve and document exceptions to approve the purchase of non-domestic foods and food products. Furthermore, interviewed SFAs that did not procure directly from suppliers (e.g., they used a group purchasing agreement or FSMC for all procurement) said they were less likely to say they kept their own records pertaining to the Buy American provision than SFAs procuring items directly from suppliers. Some SFAs mentioned training and relying on school food service staff to check product origin during the interview.

Interviewed SFAs repeatedly reported that the provision is difficult to understand and apply. Some SFAs had difficulty understanding the circumstances under which they could purchase nondomestic foods and other SFAs understood the Buy American provision but had difficulty applying it in terms of seeking out domestic products and completing the required documentation.

4   TRAINING AND RESOURCES

4.1   SFA Use of Procurement Best Practices Materials

Best practices support the execution of procurement by improving the efficiency and cost-effectiveness of the purchasing process. Here, SFAs were asked to identify topics of best practices that were made available to them in various forms such as "how-to" instructions or recommendations, templates, or lessons learned, and may have been developed internally or by their State Agency. Whether SFAs used contract templates, included local product provisions, or leveraged buying power with cooperative purchasing, SFAs' participation in the survey and the interviews illuminated much about their best practices.

SFAs reported having best practices for many topics, most often used when making small purchases (81.9 percent). They also reported using best practices for how to include the Buy American provision in contracts and solicitations (76.8 percent and 74.7 percent), writing product specifications (73.3 percent), and making public announcement/advertisements of RFPs (67.3 percent) (Exhibit 46.)

Exhibit 46. SFA Use of Procurement Best Practices Materials

Percentage of all SFAs
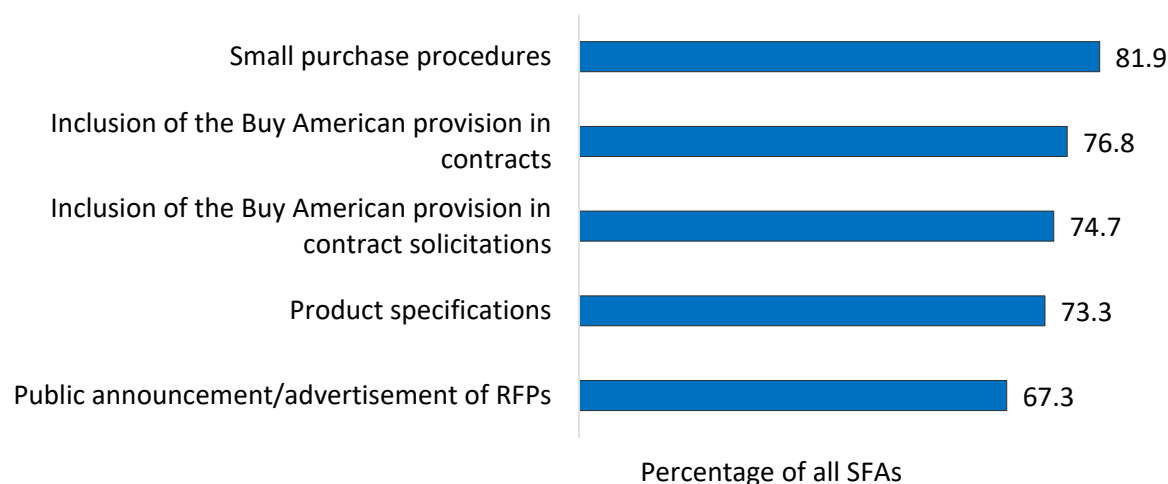
Source: Table 9.3. SFA Best Practices Used for Procurement, by FNS Region in Appendix E.

In addition to those shown in Exhibit 46, other notable best practice topics included maximum durations in procurement contracts (i.e., having the contract last as long as possible) (64.2 percent), public announcement/advertisement of IFBs (63.3 percent), procurement of local products (60.9 percent), management of procurement process time frames (58.4 percent), direct solicitation from contractors for RFPs (57.1 percent), templates or standard contract language for processor contracts (52.6 percent), and direct solicitation from contractors for IFBs (51.8 percent) (Table 9.3 in Appendix E).

The interviews yielded several key findings regarding strategies to manage the procurement process. SFAs that used solicitation templates considered their use to be a best practice for developing contracts, while other SFAs relied heavily on the State Agency-provided templates to develop contracts for FSMCs,

processors, or broadline distributors. Certain SFAs relied on training and resources offered through their cooperatives, while other SFAs used templates provided by their districts' financial or procurement staff.

Another best practice used by SFAs was the incorporation of the maximum possible contract duration into the solicitation. Many SFAs reported that they used year-long contracts, although a few SFAs (fewer than 5) used school semester-long or 6-month contracts. The SFAs sought out year-long contracts explained that they wanted to ensure they were always getting the best price and service. Many SFAs that used year-long contracts did so with the option to renew the contract each year for four additional years. This process saved time because the SFA directors did not have to solicit and review bids every year, and they could better ensure high quality service because they upheld the option to renew the contract.

SFAs reported differences in opinions concerning drafting product specifications in solicitations. While some SFAs reported that their cooperative purchasing groups or FSMCs handled drafting product specifications, most SFAs were hands-on during the solicitation drafting process. SFAs involved in drafting solicitations explained that good product specifications included quality, serving size, volume, and key nutritional information, such as sodium content. Several SFAs reported that the primary best practice for product specifications was being very detailed and specific,[58] which better ensured that they received the correct products and that those products met Federal and State requirements.

SFAs also considered wide distribution of the solicitation to be a best practice. They sought to cast a wide net by sending solicitations to their full list of vendors and posting on the district's website, on the State marketplace website, and in local newspapers. Some SFAs used a website that allowed vendors to express their interest and show offered goods or services, which allowed the SFAs to automatically notify the vendors when they were soliciting bids. Other SFAs considered it best practice to have their district purchasing department or cooperative purchasing group handle solicitations.

Some SFAs also included a stipulation in the solicitation for a local bonding requirement.[59] If an SFA enacts a bonding agreement, the school district is insured, in that "if a loss occurs in connection with a contract related to their school nutrition operations, the loss will be covered to the extent agreed upon in the bond."[60] Among SFAs that reported best practices for local bonding requirements, the typical best practice was requiring vendors to be bonded by including relevant language in both their specifications and contracts and verifying that they were bonded.

Some SFAs reported the use of templates as a best practice for developing contracts, which they viewed as advantageous. SFAs used templates as guidance for drafting procurement plans, solicitations, contracts, and recordkeeping documents for school food service staff. Access to templates, along with other types of resources and guidance, made procurement easier for SFAs. SFAs reported that templates simplified their process for drafting requests for proposals and small purchase logs. Guidelines on procurement regulations and requirements were also helpful for SFAs to ensure that contracts and

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[58] The interviews were designed with the intention to ensure that SFAs were able to describe their operations in an unrestricted way. Although findings from the interviews are based on the experiences of the SFAs, they may not reflect current regulations and policies.

[59] A bond is a form of financial protection that acts as "an insurance agreement pledging surety for financial loss caused in connection with the contract."

[60] Institute of Child Nutrition. (n.d.). *Procurement in the 21st century: Resource manual*. Accessed January 28, 2020. https://doe.sd.gov/cans/documents/ICN-procurement.pdf.

solicitations were compliant. Half of the SFAs interviewed said they used a template to prepare at least one type of solicitation. These templates primarily came from within the SFA or from the State Agency.

SFAs that contracted with FSMCs used State-provided resources and templates to establish contracts with the FSMCs and monitor their performance. Slightly more than half of these SFAs reported using a template when drafting solicitations, whereas the remainder of SFAs did not use an FSMC template for solicitation. The templates used by SFAs that contracted with FSMCs came from a variety of sources, particularly the State Agency. A few SFAs said that they were required to use the templates provided by the State Agency when preparing solicitations for direct procurement.

SFAs faced many challenges during the procurement process, mainly revolving around the understanding and application of Federal, State, and local procurement standards. Some interviewed SFAs said they had difficulty understanding or applying new regulations, describing the pressure they felt to implement the changes in keeping with their procurement timeline for the school year. Fewer than five SFAs stated that procurement reviews were a good opportunity to gain a deeper understanding of new policies and regulations because that the policies and regulations were new to the reviewers as well. In the interviews, SFAs also explained that the wording and "technical language" of regulations made them challenging to understand but that the State Agency played an important role in interpreting new guidance.

The most frequently mentioned challenges for SFAs were (1) applying State and local purchase thresholds that were more restrictive than the Federal thresholds and (2) keeping track of new rules. Some SFAs felt these lower State or local thresholds were too restrictive and unnecessary given the size of the purchase.

SFAs were open to receiving information on additional best practices for the topics covered in the survey and interviews, as well as any other topics related to procurement. They did not suggest specific topics; however, SFAs expressed interest in peer-to-peer learning to understand how other SFAs have successfully navigated various aspects of procurement as well as how they can improve the process in their own district.

4.2   SFA Training for Procurement

Throughout the year, State Agencies provide to SFAs resources, training opportunities, and technical assistance regarding procurement procedures. The majority (82.5 percent) of SFAs reported that their State Agency offered procurement trainings available (Exhibit 47). SFAs accessed a variety of resources, including templates (e.g., for drafting procurement plans, solicitations, contracts); technical assistance; webinars; newsletters; memos; manuals; emails; or information on State Agency websites.

Exhibit 47. Percentage of SFAs That Reported Their State Agency Provides Procurement Training

18% of SFAs reported that their State agency does **not** make procurement trainings available

82% of SFAs reported availability of procurement training from their State agency
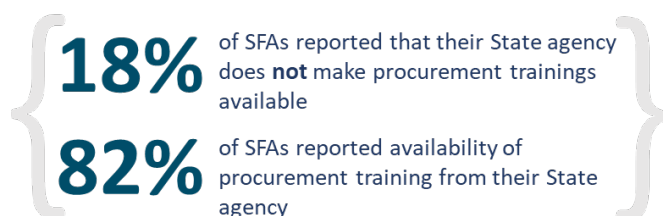
Source: Table 9.2. Available State Agency Training, by FNS Region in Appendix E.

Trainings made available to SFAs by State Agencies included updates and changes related to (1) Federal procurement policies and regulations (79.5 percent) and (2) State procurement policies and regulations (74.4 percent). More than half of SFAs also cited other available training topics, including the Buy American provision (62.0 percent), USDA Foods processing (56.5 percent), proposal/bid evaluations (53.4 percent), and procedures for conducting procurement (51.3 percent) (Exhibit 48). While the greater part of SFAs said that their State Agency makes trainings available, 17.5 percent of SFAs reported that their State Agency does not provide training (Table 9.2 in Appendix E).

Exhibit 48. SFA Trainings Made Available by State Agencies

Training Topics {

80% Updates and changes to Federal procurement policies and regulations

74% Updates and changes to State procurement policies and regulations

62% Buy American provision

57% USDA Foods processing

53% Proposal/bid evaluations

51% Procedures for conducting procurement

51% Allowable procurement methods to use
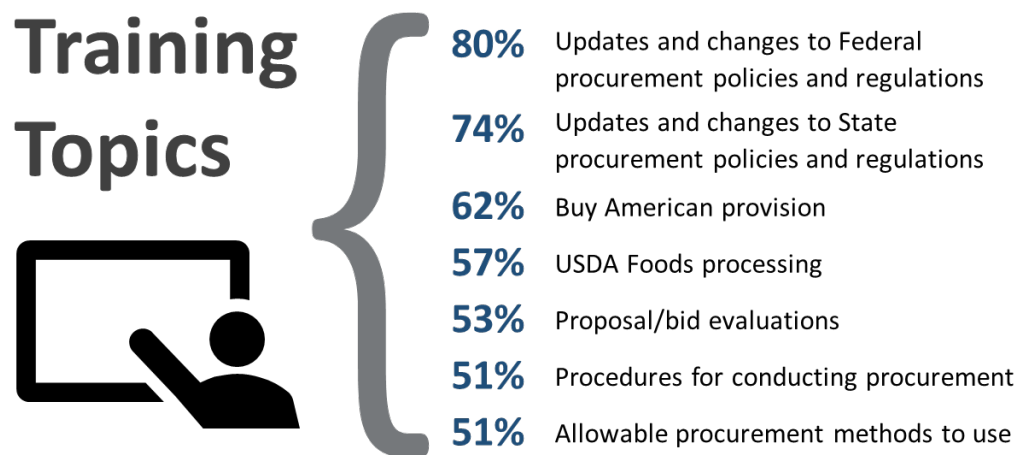
Source: Table 9.2. Available State Agency Training, by FNS Region in Appendix E.

SFAs reported in the interviews that technical assistance from the State Agency was the most used resource, including but not limited to emails or phone calls to State Agency representatives. Overall, technical assistance was about three times more common than any other type of resource SFAs mentioned in interviews. Some SFAs who sought technical assistance said it was particularly helpful in preparing for audits or administrative or procurement review. SFAs that participated in group purchasing, used FSMCs, and/or piggy-backed on other SFAs' bids were less likely to report resource use.

SFA directors found that training their food service manager(s) directly on procurement topics was beneficial. Some SFAs said they train their school food service managers on inspecting and accepting orders from vendors, using inventory, and the benefits of good recordkeeping for procurement. Although these trainings were not designed to teach staff how to do procurement, SFAs described them as having a direct effect on procurement.

Because many SFAs have a small team, SFA trainings conducted by SFA staff were found to be uncommon. However, most often, SFAs received training from the State Agency. Some SFAs turned to each other for advice or guidance while some SFA directors met with their staff specifically to exchange information, such as discussing procurement procedures at the beginning of the school year.

As highlighted, SFAs have identified a variety of best practices to meet their procurement goals. From the use of solicitation templates, to the dissemination of solicitations to as many vendors as possible and the inclusion of geographic provisions for local food, SFAs often utilize Federal, State, and local training and resources so that they can maximize the effectiveness of their CN operations. These

strategies, when used alone or together, help SFAs purchase quality products that best suit the needs of their respective schools.

4.3 Procurement Guidance and Templates

Federal, State, and local agencies support SFAs during the procurement process by providing guidance for solicitation development such as memos, frequently asked questions (FAQs), trainings, issue briefs, and manuals/handbooks. The majority of SFAs (60.2 percent) responded that they are required by their State Agency or LEA to use guidance provided by either FNS, their State Agency, or their LEA when developing solicitations (Table 3.3 in Appendix E). Of those 60.2 percent of SFAs, 21.8 percent were required to use guidance provided by FNS, another 17.7 percent were required to use guidance provided by their LEA, and more than half (54.5 percent) were required to use guidance provided by their State Agency. Only 8.8 percent of SFAs reported that their State Agency or LEA did not require them to use any guidance for developing procurement contract solicitations; however, the remaining 31.0 percent of SFAs were not sure whether these requirements were in place for their SFA.

SFAs also were asked about their receipt and subsequent use of the various types of solicitation development guidance from FNS, State Agency, and LEA. SFAs most commonly received trainings, memos, manuals, and handbooks from FNS (Exhibit 49). Almost two-fifths of SFAs used FNS training (39.9 percent) and memos (39.1 percent) and 30.7 percent of SFAs used FNS manuals and handbooks.

Exhibit 49. FNS Guidance Received and Used by SFAs for Developing Procurement Solicitations
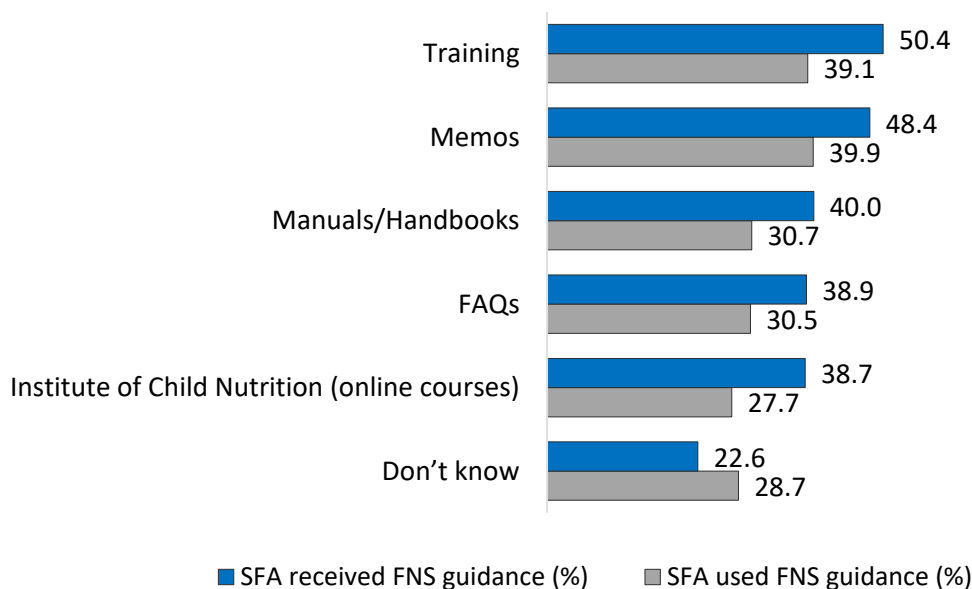
Source: Table 3.4. Guidance Type Used, by Source of Guidance in Appendix E.

Similar results were observed for State Agency guidance. Training and memos were the top two types of guidance received and used. More than half of SFAs received memos (57.7 percent) and training guidance (51.5 percent) from their State Agencies (Exhibit 50).
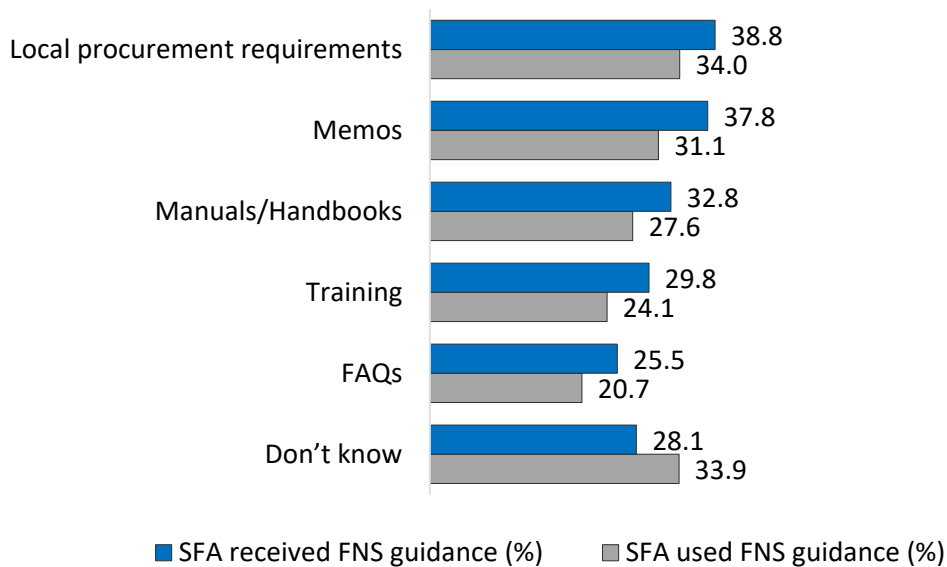
Exhibit 50. State Agency Guidance Received and Used by SFAs for Developing Procurement Solicitations

Bar chart showing percentages:

- Memos: 57.7 (received), 47.6 (used)
- Training: 51.5 (received), 41.9 (used)
- FAQs: 42.9 (received), 34.1 (used)
- One-on-one guidance: 23.3 (received), 18.4 (used)
- Weekly correspondence: 15.6 (received), 11.2 (used)
- Don't know: 22.6 (received), 28.7 (used)

■ SFA received FNS guidance (%)   ■ SFA used FNS guidance (%)
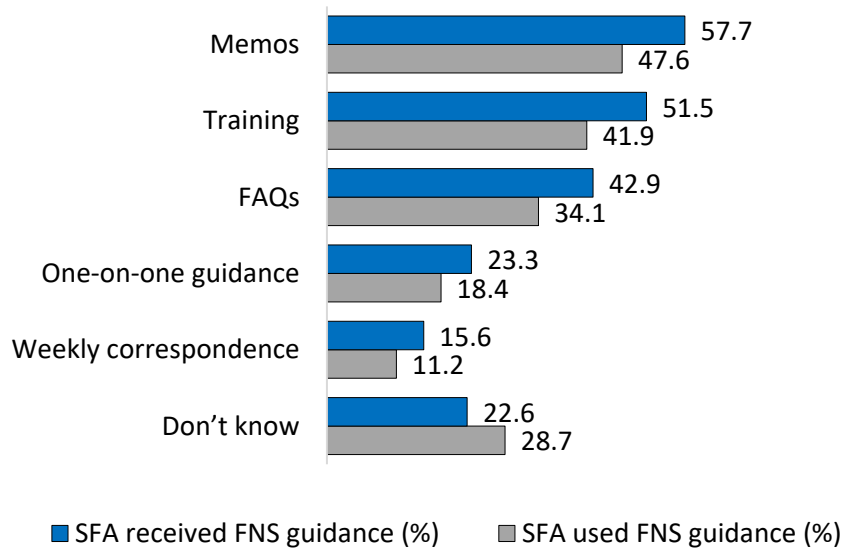
Source: Table 3.4. Guidance Type Used, by Source of Guidance in Appendix E.

Training and memos also were frequently cited as the type of LEA guidance received (Exhibit 51). Approximately a quarter of SFAs reported being unsure whether they received or used guidance from FNS, their State Agency, or a LEA (Table 3.4 in Appendix E).

Exhibit 51. LEA Guidance Received and Used by SFAs for Developing Procurement Solicitations

Bar chart showing percentages:

- Local procurement requirements: 38.8 (received), 34.0 (used)
- Memos: 37.8 (received), 31.1 (used)
- Manuals/Handbooks: 32.8 (received), 27.6 (used)
- Training: 29.8 (received), 24.1 (used)
- FAQs: 25.5 (received), 20.7 (used)
- Don't know: 28.1 (received), 33.9 (used)

■ SFA received FNS guidance (%)   ■ SFA used FNS guidance (%)

Source: Table 3.4. Guidance Type Used, by Source of Guidance in Appendix E.

Federal, State, and local agencies also might provide templates for solicitations. Approximately one-third (35.6 percent) of all SFAs reported that their State Agency or LEA required them to use templates when developing solicitations, while 26.8 percent of SFAs indicated that they were not required to use templates, and the remaining 37.6 percent were unsure of any requirements to do so (Table 3.5 in Appendix E). Of that 35.6 percent of SFAs, 11.7 percent said they were required to use FNS templates, 30.7 percent were required to use templates provided by their State Agency, and 6.5 percent were required to use templates provided by their LEA.

SFAs also answered questions about the types of templates provided by FNS, their State Agency, and LEA, and the types of templates subsequently used by the SFA to develop procurement solicitations. Approximately one-third of SFAs received various types of templates for competitive sealed bids (31.4 percent), competitive proposals (35.8 percent), and small purchasing (28.0 percent) (Table 3.6 in Appendix E). However, not all SFAs that receive the templates use them; 22.5 percent of SFAs reported using templates for competitive sealed bids, 27.0 percent use them for competitive proposal templates, and 19.5 percent use templates for small purchases. The majority of SFAs were unsure of the type of template received (59.6 percent of SFAs) or used (45.5 percent of SFAs) for developing solicitations. More than one-third (34.2 percent) of SFAs indicated that they did not receive any templates from FNS, their State Agency, or a LEA to help with development of solicitations.

During the interviews, SFAs described many advantages to using templates and few disadvantages. The SFAs stated that the templates reduce overall work and time required to prepare the solicitation because the format has already been created. Additionally, because the templates provided preexisting text, including legal provisions and other required information, SFA directors and other CN Program staff felt confident that the policy and legal aspects of procurement were already correctly addressed. Conversely, some SFAs said that the mandated templates created more work than necessary for certain types of procurement, particularly for smaller purchases. Only a few SFAs said that the language in the template limited what they could purchase or did not reflect certain information they wanted to convey to potential bidders, such as flexibility in terms of product substitution.

5   SUMMARY

The *Study of School Food Authority Procurement Practices* comprehensively describes and assesses SFAs' decision-making processes regarding their school food procurement practices during SY 2017–18 at the SFA level. The study was designed to address research objectives using a mixed-methods approach collecting information from SFAs with a web-based survey, followed by in-depth interviews with a subset of SFAs. While the research questions are answered within this report, the data collected for the study provides FNS with the ability to further examine procurement practices at the SFA level. Results from the survey and interviews provide a sweeping assessment of SFA procurement processes and practices. This information is crucial to understanding the successful aspects of the programs, as well as opportunities for improvement. The key findings include the following:

Procurement Planning

SFAs consider multiple factors prior to determining the most appropriate procurement methods for their procurement needs. They predominately considered: estimated cost (63.1 percent), specific CN program requirements (59.9 percent), foods available (47.6 percent), and purchase quantity (41.5 percent). About one-quarter of SFAs interviewed did not analyze costs for some solicitations before publishing them. Some SFAs said that such analysis was not necessary, appropriate, or feasible, depending on the type of purchase. In addition, SFAs involved in drafting solicitation documents said that good product specifications included quality, serving size, volume, and key nutritional information, such as sodium content. SFAs reported that fixed-price and fixed-price with economic price adjustment were the most common contract types across all SFAs; more than half of SFAs reported awarding fixed-price contracts (57.6 percent).

Contract Monitoring

To meet Federal requirements for monitoring at the State and SFA level, SFAs monitor school food program administration and operations. SFAs frequently cited monitoring contractors' post-award performance by examining goods, services, invoices, and documentation provided by the contractor (68.5 percent) and confirming with people responsible for receiving goods and services (51.7 percent). They also tracked discounts, rebates, and credits in cost-reimbursable contracts and by reviewing for accounting errors, mostly using invoices to track discounts, rebates, and credits (73.9 percent) and bills and invoices to identify accounting errors (69.9 percent). SFAs further indicated in the interviews that they reviewed FSMC reports and invoices to ensure FSMCs credited the nonprofit food service accounts for the value of the USDA Foods they received, as well as to ensure costs were allocated correctly. However, almost one-fifth of SFAs were uncertain of the method used to monitor FSMC performance.

SFAs used a variety of strategies to ensure their foods remained in compliance with the Buy American provision, which requires SFAs in the continental United States to purchase domestic agricultural commodities or food products. Nearly half of SFAs incorporated Buy American requirements into solicitations (48.9 percent) and inspected foods upon delivery (47.6 percent) as methods for ensuring compliance. Interviewed SFAs commonly reported that the Buy American provision is difficult to understand and apply; some SFAs had difficulty understanding when they could purchase nondomestic foods, while other SFAs understood had difficulty applying the provision in terms of seeking out domestic products and completing the required documentation.

Sourcing

In SY 2017–18, SFAs sourced goods and services from a variety of suppliers, including FSMCs and group purchasing. Among the 26.2 percent of SFAs using FSMCs, more than half (51.0 percent) used the FSMC to manage all procurement activities. These SFAs indicated in the interviews that participating in group purchasing arrangements improved purchasing power, lowered prices, and supported an SFA's solicitation and contracting process.

Most SFAs indicated in the interviews that they valued procurement of foods from local producers. However, when SFAs were asked in the survey to estimate their spending on local foods for CN Programs, 11.8 percent of SFAs were able to report a goal. Additionally, interviewed SFAs described challenges to procuring local foods; almost half of the SFAs cited an absence of desired foods for reasons such as distance, seasonality, and volume. SFAs also reported they were obligated to find the product with the best price, which often was not the local option. SFAs felt it was often impracticable to procure local foods, rather than opposing the idea.

USDA Foods

Nearly half (44.3 percent) of SFAs indicated that they diverted USDA Foods for processing. Over one-third (36.9 percent) of SFAs allowed distributors to procure processed end products using USDA Foods, while approximately 40 percent of SFAs procured these products directly from manufacturers or food processors with USDA national processing agreements. To receive credit for USDA Foods in processed end products, nearly half (42.8 percent) of the SFAs used net-off invoices as the value pass-through method. However, 43.3 percent of SFAs did not know which value pass-through method they used to obtain credit.

Procurement Resources and Training

The majority (65.8 percent) of SFAs indicated that they received templates related to procurement solicitations; most SFAs reported that their State Agency provided procurement training focused on topics such as updates and changes to Federal and State procurement policies and regulations (79.5 percent and 74.4 percent, respectively). Other successful resources that SFAs mentioned during the interviews included technical assistance and resources created and led by the SFA, like internal meetings and hands-on instruction.

Overall, SFAs identified a variety of best practices to meet their procurement goals. From the use of solicitation templates, to the dissemination of solicitations to as many vendors as possible and the inclusion of geographic provisions for local food, SFAs often use Federal, State, and local training and resources so that they can maximize the effectiveness of their CN operations. These strategies, when used alone or together, help SFAs purchase quality products that best suit the needs of their respective schools.