

Chapter 8 – Procurement

“Non-appropriated fund procurements are subject to the same close scrutiny that is directed at all Government purchases. Sound business practice requires they be made in the public interest and exhibit a high degree of professionalism.” -Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13(series)

Procurement is the ability to obtain the right quality of products or services, in the right quantity at the right time from the right purveyor at the right price. Sound procurement practices become the cornerstone for both the quality and control aspects of your operation.

Equipment/supply items and services for MWR/Services activities can be procured through one of three funding sources: (1) appropriated funds (APF), (2) nonappropriated funds (NAF), and (3) Excess Property Listings.

APFs should be used whenever authorized and available. Generally, NAFs may be used when APFs are not available, and must be used when APFs are not authorized. Excess property from other federal organizations may also be available; each service has a different way of managing this process.

The Purchasing Function

Managing inventory (see next chapter) involves selecting, purchasing, receiving, storing, inventorying, and issuing products. There must be a separation of duties among these functions to ensure internal control. In particular, the person designated to do the purchasing must not receive, store, or issue those products in the operation.

Once you have selected the products needed by your operation, with specifications to ensure standardized products, it is time to purchase those items as needed. This involves *contracting* with various vendors.

The purchasing function is so important to an organization that the activity manager will be required to rely heavily upon procurement professionals to fill the storerooms of the MWR/Services activity. However, an understanding of the process is vital for any manager.

The basic contracting rules for all federal government agencies are set forth in the Federal Acquisition Regulations (FAR). Additional rules unique to DoD are set forth in the DoD FAR Supplement (DFARS). Your individual Service also has specific regulations governing purchasing and contracting.

The Purchasing/Contracting Process

Purchasing and contracting managers in the military perform some or all of the following duties:

- Review requests for supplies and services to make sure they are complete and accurate
- Prepare bid invitations or requests for proposals for contracts with civilian firms
- Review bids or proposals and award contracts
- Prepare formal contracts, specifying terms and conditions
- Review work to make sure that it meets the requirements of contracts

Centralized Purchasing

Two cardinal principles of centralized purchasing are to standardize products and reduce prices. Imagine the purchasing power of all MWR/Services activities all over the world. Vendors are willing to substantially reduce prices in order to obtain the volume potential of military MWR/Service worldwide. In addition, the vendors would be less likely to risk losing such a large segment of business by providing inferior products or poor service.

AFNAFPO

The **Air Force Nonappropriated Fund Purchasing Office (AFNAFPO)** was established in February 1973 as a central nonappropriated fund purchasing function in support of NAF activities worldwide. "AFNAFPO is dedicated to supporting Air Force readiness and mission accomplishment by providing corporate purchasing programs in support of activities that stimulate physical fitness, community cohesion, family well-being, and quality of life." (from website)

AFNAFPO is responsible for purchasing support to over 3000 DoD activities worldwide through the Commander's Smart Buy Program (CSBP). The CSBP is the trade name representing all purchasing programs initiated and managed by the AFNAFPO. Trading partners selected to participate in the CSBP are considered prime sources for purchases made from activities using appropriated funds.

Joint Services Prime Vendor Program

Another Service specific program which benefits more than one Service is the Army's **Joint Services Prime Vendor Program**, established to increase quality and save money on purchases of food and food related products for MWR/Services activities.

A Prime Vendor contract has been awarded to various broad line distributors (companies that can provide a wide variety of items such as fresh and frozen meats, frozen food, groceries, produce, dairy products, and non-edible products such as paper and plastic items) around the world.

The distributors agree to sell their food and food-related items for an agreed-upon profit margin above their cost. The participants, in turn, strive to purchase the majority of their food requirements from the Prime Vendor. Benefits include:

- Reduced cost (estimated \$11 million annual savings)
- Overhead savings (warehousing, procurement, distribution, accounting)
- Increased quality
- U.S. products overseas
- Partnering with distributor (providing menu suggestions, training, product information, product comparisons and samples, and suggested alternate menu items)

Purchasing by the Manager

In addition to the major purchasing and contracting required for an organization, an MWR/Services manager will sometimes be required to purchase goods and/or services more

quickly than going through the formal purchasing process would normally allow. Examples of tools which can be used to streamline the formal purchasing process include (1) petty cash purchases, (2) use of government purchase card, and (3) ordering as needed from Blanket Purchasing Agreements (BPAs) and Basic Ordering Agreements (BOAs).

Petty Cash – Your MWR/Services activity may have a Petty Cash Fund, a small fund, typically kept in cash in the safe, which can be used for minor purchases when it is not cost-effective to go through a lengthy purchasing process. For example, if the number of attendees at a catered event increases at the last minute, the manager might use petty cash to purchase extra candles for table décor.

Government Purchase Card -The use of purchase cards was first introduced in the Federal Government in the early 1980s. The General Services Administration (GSA) awarded the first Government-wide purchase card contract in 1989. In 1993, the Vice President’s National Performance Review identified the purchase card as a major acquisition reform and recommended that all Federal agencies increase their use of the card to cut the red tape normally associated with the Federal procurement process. In 1995, the FAR designated the purchase card as the preferred method to pay for micro-purchases. Federal Acquisition Regulations establish \$3000 as the micro-purchase threshold and eliminate most of the procurement restrictions for purchases identified within that threshold.

If you were issued a government purchase card, it came with rules for acceptable use. In general, you are limited as to the total amount that you can charge using the card, as well as the type of purchases that are authorized.

BPAs and BOAs – Your purchasing office may have established Blanket Purchasing Agreements (BPAs) and/or Basic Ordering Agreements (BOAs) with approved vendors, allowing the manager to simply order items as needed without going through the elaborate purchasing and contracting process.

Priority System of Suppliers

The FAR requires products and services be purchased based on a priority system of suppliers; noted in descending order below. This applies specifically to **APF purchases**. Some of these guidelines apply to NAF purchases. Your NAF contracting officer will advise regarding those requirements.

Supplies:

- i) Agency inventories
- ii) Excess from other agencies
- iii) Federal Prison Industries, Inc.
- iv) Products available from the Committee for Purchase From People Who Are Blind or Severely Disabled
- v) Wholesale supply sources, such as stock programs of the GSA, the Defense Logistics Agency, the Department of Veterans Affairs, and military inventory control points

- vi) Mandatory Federal Supply Schedules
- vii) Optional use Federal Supply Schedules
- viii) Commercial sources (including educational and nonprofit institutions)
- 1) **Services:**
 - i) Services available from the Committee for Purchase From People Who Are Blind or Severely Disabled
 - ii) Mandatory Federal Supply Schedules
 - iii) Optional use Federal Supply Schedules
 - iv) Federal Prison Industries or commercial sources (including educational and nonprofit)

Summary of Chapter 8

Sound purchasing practices are the cornerstone for both the quality and control aspects of your operation. Next to sound purchasing managing inventory is a close second and involves selecting, purchasing, receiving, storing, inventorying, and issuing products. The purchasing function is so important to an MWR/Services organization that the activity manager will be required to rely heavily upon procurement professionals.

Centralized purchasing can help standardize quality, improve service, and lower prices. Two examples of successful centralized purchasing programs which are available to all Services are:

- AFNAFPO (Air Force)
- Joint Services Prime Vendor Program (Army)

In order to aide activity managers there are several streamlined procurement tools. Examples include:

- Petty cash purchases
- Use of Government Purchase Card
- BPAs and BOAs

