

FORMULATING THE PROCUREMENT APPROACH

2612

(May 2005)

When planning a purchase activity, there are four major areas to consider. Purchasers must have the ability to correctly determine:

- The estimated dollar value of the procurement.
- The class of purchase (IT vs. Non –IT and Goods vs. Services).
- What pre-procurement review and approvals are necessary either by State purchasing policies or departmental policies and procedures?
- The most appropriate procurement approach within your department's approved purchasing authority (i.e. PIA, competitive, LPA order).

This section provides the necessary information to begin the planning and scheduling of the procurement process.

CLASSIFYING THE PURCHASE

2612.1

(May 2005)

IMPORTANCE OF PROPERLY CLASSIFYING PURCHASES

2612.1.1

(May 2005)

The ability to properly classify a purchase enables the **purchaser** to conduct the procurement by correctly:

- Applying the appropriate laws, regulations, policies, and procedures.
- Identifying whether or not the department has the applicable purchasing authority to conduct the purchase activity or requires DGS/PD assistance.
- Securing additional approvals and/or waivers as applicable.

The impact of not being able to correctly classify a purchase may result in:

- Delaying a department's program or project.
- Waste of time and effort, ultimately wasting taxpayer money.
- Loss of funding.
- Disputes, protests, and/or lawsuits.
- Illegal contracts.

PURCHASE CLASSIFICATIONS

2612.1.2

(May 2005)

State purchasing activities are divided into the following three classifications:

- Non-IT goods - tangible or movable products with little or no information technology functionality.

Examples:

- Food, furniture, farm animals and office supplies.

- IT goods and services – tangible products or services used mainly for information technology.

Examples:

- Personal computers, mainframes, software development or independent verification and validation services. Refer to “Topic 2-Understanding Information Technology Goods and Services” of this chapter for additional information regarding IT goods and services.

- Non-IT services - primary purpose has someone doing something that is void of any information technology aspect.

Examples:

- Waste removal or janitorial services.

Note: Non-IT services, unless acquired under an LPA, such as CMAS or MSA, are not covered under the purchasing authority program. Refer to the [SCM, Vol. 1](#), for assistance.

DETERMINE THE MAIN PURPOSE

2612.1.3

(May 2005)

Classifying a purchase begins by determining the predominant factor or the major objective and/or purpose of the entire purchase. In doing so, ask yourself the following question:

- What is the sole or main purpose of the purchase?

EXAMPLES OF CLASSIFYING THE PURPOSE

2612.1.4

(May 2005)

Non-IT goods

A purchaser purchases a vehicle for enforcement use. The vehicle has been fitted with an electronic mapping system and telecommunications equipment. The purchase is made under the non-IT purchasing authority after securing approvals required from the DGS Office of Fleet Administration. The features of the car are secondary to the purpose of the vehicle, which is a means of transportation.

IT goods

A purchaser buys ten personal computer (PC) keyboards for replacement stock to issue when an existing keyboard fails. The purchase of PC keyboards is considered IT. A PC processes data electronically and the keyboard is a critical component to the operation of the PC. Consequently, the purchase is made under the IT purchasing authority.

NON-IT vs. IT

2612.1.5

(May 2005)

There are many items that require IT technologies to function, yet they may not be considered to be IT. If the item is determined to be a non-IT good, the transaction will be treated as a “good” and be acquired under the non-IT goods purchasing authority

DISTINGUISHING GOODS FROM SERVICES

2612.1.6

(May 2005)

When determining if an acquisition is for goods only, DGS/PD recommends that purchasers consider the following concepts:

- Does the contract have as its sole or main purpose the acquisition of tangible items, such as equipment, parts, supplies or other merchandise?
 - If the main value is a good with minimal or no non-IT or IT services, the purchase is conducted under the non-IT goods purchasing authority.
- What is the main value of the contract – the good or the service?
 - If the main value is the service, the transaction should be treated as a service contract.
 - If the service is non-IT, then the purchase is acquired in accordance with PCC section 10335, SAM section 1200, and the SCM, Vol. 1.
 - If the service is IT, then the purchase is acquired in accordance with PCC section 12100 et. seq., SAM sections 4800 et seq., 5200 et. seq., SCM, Vol. 2 (PAM) and the Statewide Information Management Manual (SIMM)

Warning: Non-IT services included with the purchase of non-IT goods may not exceed \$4,999.99 and must be directly related to the purchase of the goods, such as set up or installation. Non-IT services such as maintenance is not allowed and must be procured separately under the [SCM, Vol. 1](#) unless available on an LPA contract.

EXAMPLES OF GOODS vs SERVICES

2612.1.7

(May 2005)

Example:

A manager has requested an office to be painted. The **purchaser** needs to purchase the paint and acquire the painting services. The main value is the labor involved in the application of the paint. The request should be treated as a non-IT service contract and requires the **purchaser** to determine whether or not the service can be purchased through an authorized LPA order or must the service be acquired in accordance with [PCC](#) section 10335 and [SCM, Vol. 1](#), outside of the department's purchasing authority.

Example:

A **purchaser** has developed a graphic depiction of its business process for display in the department's public lobby. A decision has been made to have a custom frame made for the display due to its unique size and amount of public visibility. This would be a non-IT service not subject to DGS/PD purchasing authority because the main purpose is the custom framing services

NEED HELP IN CLASSIFYING PURCHASES?

2612.1.8

(May 2005)

Purchasers needing assistance in determining the classification of a purchase after reviewing the available resources (i.e. SAM, SIMM) should first consult with their **Unit Purchasing Coordinator**. If the coordinator needs additional information they are to first consult with their region BSO or RAO. If additional information is still needed the BSO or RAO will consult with the department's PAC. Department PACs may also contact the DGS/PD/PAMS for information and clarification. DGS, Procurement encourages departments to have one point of contact.

DEPARTMENT INFORMATION

2612.1.9

(May 2005)

In the past, the determination of whether an acquisition was for goods or services was based on a percentage, and that criteria is no longer used. The determination is now based solely on the purpose or value of the purchase as specified.

PROCUREMENT PLANNING – WHERE DO I GO FROM HERE?

2612.2

(May 2005)

START PLANNING EARLY

2612.2.1

(May 2005)

Planning the purchase should begin at the earliest practicable time. The amount of time necessary for the planning process is dependent upon the dollar value, risk, complexity, and criticality of the proposed purchase. In addition, the **purchaser** must classify the purchase (non-IT/IT and good/service), and make a decision on the procurement approach (competitive, non-competitive, exempt, or using one LPA programs).

INITIAL PURCHASER REVIEW

2612.2.2

(May 2005)

The **purchaser's** first step in the planning and scheduling of a procurement effort is the initial review of **the** purchase request. Reviewing the request in terms of the following information will assist the **purchaser** in determining any impact in relationship to the procurement planning and scheduling activities.

Does the purchase require Departmental review and approvals? If Yes;

- Have the proper approval signatures been secured?
- Is the request in compliance with equipment standards?
- Does the request require any department technical review?
- Is there documentation in sufficient detail to support and justify conducting the procurement?
- Are there any program schedule requirements, special delivery instructions, or constraints, etc.?
- Does the purchase require funding authority?
- Is the procurement scheduling and planning effort limited by:
 - Budgetary constraints?
 - Federal funding limitations and/or restrictions?
 - Availability of current and future year funding?
 - Timing constraints impacted by availability of fiscal year funding?
- Does the purchase require external reviews, waivers and/or approvals?
- What is required by law, regulation or policy?
- Refer to [Section 2613](#) for details for external reviews and approvals.

SEEKING LEGAL PARTICIPATION

2612.2.3

(May 2005)

Purchasers should seek departmental legal participation as necessary.

Purchasing activities that benefit from the department's legal staff participation may include but are not limited to the following:

- Purchases that have a history of litigation.
- Large scale IT integration projects.
- Conflict of interest issues.
- Follow-on contracting issues.

NARROWING IN ON THE PROCUREMENT ALTERNATIVES

2612.2.4

(May 2005)

To assist in determining the procurement approach that best meets the department's needs, **purchasers** should ask themselves the following questions:

- Is the acquisition an emergency purchase as defined by **PCC** sections 10340 and 12102(a)(2)?
- Can another state agency provide the product through an interagency agreement or alternate contracting means?
- Does the purchase require the use of any mandatory purchasing processes such as PIA or use of existing telecommunications contracts?
- Is the request within the scope of the department's approved purchasing authority?
- Can you consolidate other requests for like equipment into a single purchase?
- What is the **purchaser's** total need for acquiring the goods over the next 12-month period of time and can the acquisitions be reasonably consolidated to maximize purchasing power?
- What available purchasing approach can effectively meet the department's needs at the least cost in terms of time and resources?
- Can the functional requirements of the request be met through an LPA (i.e. CMAS, Master Agreement, Statewide Contract or State Price Schedule)?
- Are there certified small businesses, micro businesses or certified DVBEs that can be solicited to provide the good and/or service?
- Can the department's procurement needs and purchasing goals both be met by conducting a small business (SB) and DVBE procurement based upon **GC** 14838.5 (SB/DVBE Option)?
- Is there a known supplier market and can the acquisition best be met through open competition?
- Is the request so unique that no competition exists and the needs of the customer can only be met through a non-competitively bid (NCB) contract?

- What risk factors are inherent to the purchase and what steps can be taken in advance to mitigate them?
- Will the purchase require the preparation of a statement of work (SOW)?

SPECIFICATION DEVELOPMENT ASSISTANCE **2612.2.5**
(May 2005)

DGS/PD Engineering Services is available to assist departments in providing technical knowledge and assistance in planning efforts and specification preparation.

Purchasers should contact their purchasing coordinator, BSO or Business Services Sacramento staff for help with specification preparation and assistance in contacting DGS, engineering staff.

OTHER CONSIDERATIONS AFFECTING THE PLANNING PROCESS **2612.3**
(May 2005)

PROMOTIONAL MATERIALS **2612.3.1**
(May 2005)

Prior to conducting a purchase for promotional materials, (i.e. apparel, badges, desk items, etc.) a purchaser must include written justification within the procurement file supporting how the purchase meets the department's mission and business needs.

Written justifications should include either a general or specific description of the type of event(s) and how the promotional material(s) will be used. Refer to [Section 2611.2.6](#) for additional considerations and examples.

Any promotional or give-away items offered as part of a sale may be accepted ONLY if they are used for a valid state purpose and remain the property of CAL FIRE.

REQUESTS FOR REASONABLE ACCOMMODATION **2612.3.2**
(May 2005)

PURCHASES **2612.3.3**
(May 2005)

A purchase made in response to a request for reasonable accommodation does not preclude purchasers from adhering to State procurement laws, regulations, executive orders, and policies. However, when conducting a procurement to fulfill a reasonable accommodation request, purchasers must be mindful of the need to expedite the purchase, regardless of the purchase class or approach used.

INSTALLATION OF PHYSICAL LAYER CABLE AND CARPET

2612.3.4

(May 2005)

Installation of physical layer cable (all electrical and mechanical aspects relating to the connection of a device to a transmission medium, i.e. connection of a workstation to a LAN) and carpet are considered public works. Departments may allow for a public work component only when it is incidental to the overall project requirements.

LEASING OF EQUIPMENT

2612.3.5

(No. 3 February 2006)

Leasing may be used when a department lacks sufficient funds for a purchase or if the department has insufficient data to project future needs.

In these cases, **purchaser's**, prior to initiating any type or approach of purchasing activity as a lease, must document a lease versus purchase analysis as described in **SAM** section 3700 et seq. Lease vs. purchase analysis documentation must be retained within the procurement file.

If it is determined to be in the Department's best interest to lease rather than purchase, complete this transaction on a service document and not on a STD- 65, unless it is a CMAS procurement that states otherwise.

[Click here to access the Lease versus Purchase Analysis form.](#)

[Click here to access a legible copy of the Lease versus Purchase Analysis form as shown in SAM section 3700 A-1.](#)

BLANKET PURCHASES

2612.3.6

(May 2005)

A blanket purchase is an acquisition mechanism established for no longer than one year with one supplier where the quantities of specific products are not known. In these cases, the **purchaser** has determined that a group of goods from a specified supplier is necessary to the program, but the **purchaser** must be flexible when determining the instant need.

In no case may a blanket purchase exceed \$4,999.99 per transaction, unless the blanket purchase is issued under an LPA contract whereby the purchase document dollar cap is limited to the LPA contract dollar threshold. The **purchaser** must keep a copy of each order placed against each blanket purchase document in the procurement file. The **purchaser** must document in the procurement file why it is in the State's best interest to execute a blanket purchase.

Blanket purchase documents can be established by various stations and camps with the same supplier, as long as the individual delivery locations are different.

Example #1

Supplier: Billington Ace Hardware, Susanville, CA
Used by: Lassen –Modoc Headquarters; 697-345 Highway 36 Susanville (delivery loc),
Antelope Camp; 711-045 Center Road, Susanville (delivery loc)

Each location can establish a different blanket purchase account at Billington Ace Hardware. Delivery locations are different.

Example #2

Supplier: Billington Ace Hardware, Susanville, CA
Used by: Lassen –Modoc Headquarters; 697-345 Highway 36 Susanville (delivery loc),
Susanville Station; 697-345 Highway 36 Susanville (delivery loc),

Each location cannot establish separate blanket purchase accounts. Delivery locations are the same.

For additional information on blanket purchases in CAL FIRE refer to [Procurement Bulletin 05/11/05](#).

SHIPPING CHARGES

2612.3.7

(No. 5 May 2008)

Purchaser’s conducting competitive solicitations shall determine shipping terms during the procurement-planning phase. SAM §3800 et seq. mandates that property be shipped by the state in the most expeditious, economical, and efficient manner possible (GC §14920). Shipping instructions are discussed in more detail in [Section 2665](#).

The preferred shipping method is “Free on Board” (FOB) Destination Freight Pre-paid (FRT. PPD) where the supplier is responsible for freight charges and costs as well as owning the goods while in transit.

Choosing the means of transportation depends upon the shipping facilities at the point of origin as well as at the receiving destination. Cost, time frame, special service considerations, and dependability are all factors to be considered.

Should a purchaser determine another method of shipping is more appropriate in meeting their needs and the weight of the purchase is 100-lbs or more then the purchaser shall contact the [Transportation Management Unit \(TMU\)](#) to provide the purchaser with the cost of freight charges from TMU’s pre-established shipping contracts. This can be done by phone or by faxing the [Freight Workup Fax Sheet](#) to Transportation Management at (916) 376-1888.

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E
V

Purchasers are not required to contact TMU for purchases weighing less than 100-lbs.

When shipping charges are \$50.00 or more, a separate prepaid freight bill is required.

When shipping charges are \$500.00 or more, purchasers must contact TMU for a freight comparison prior to shipping. Refer to Section 2632.1.3, 2665 and the STD-65 instruction page for additional information on shipping.

[Click](#) here to access the TMU web page.

TERM PURCHASES

2612.3.8

(May 2005)

Departments granted purchasing authority to conduct competitive solicitations may establish term purchase contracts through a competitive bid process.

A term purchase establishes a purchasing mechanism for:

- A specified period of time – not to exceed 36-months.
- A specified list of products and quantities.
- Items a purchaser acquires on a routine basis.

Purchasers conducting a competitive solicitation for a term purchase must adhere to the following:

- A competitive bid must be conducted whenever the dollar amount is \$5,000.00 or greater.
- The solicitation must clearly identify contract start and end dates and not exceed a 36-month period.
- The solicitation must clearly state the aggregate amount of the contract, but in no event may it exceed a department's approved purchasing authority limit.
- The solicitation, the resulting contract or the cumulative value of orders released against the contract may not exceed the amount of a department's approved purchasing authority.
- The solicitation must clearly state a maximum number of units that may be purchased.

Example:

10 units will be purchased upon award, and the purchaser reserves the right to purchase up to 10 more units during the contract term.

Note: Evaluation and award must be based upon the total quantities per line item to be purchased during the contract term. Using the above example the evaluation and award would be based upon 20 units.

- The solicitation must clearly state the delivery terms over the course of the contract term.
- The solicitation must clearly define whether or not pricing is firm over the course of the contract or if allowances will be made for price increases or decreases.
- The department must keep a running total of orders placed against each term purchase contract in the procurement file.

Note: A term purchase is not a suitable solicitation approach if a department is unable to commit to the stated quantities.

STATEMENT OF WORK (SOW) 2612.4
(May 2005)

DETERMINING THE NEED FOR A SOW 2612.4.1
(May 2005)

A **purchaser** must include a statement of work for all services transactions and for goods transactions when appropriate. A statement of work protects the State and the contractor by identifying and documenting the details of the work to be performed.

WHAT TO INCLUDE IN A SOW 2612.4.2
(May 2005)

A statement of work is unique to each purchase document, but usually consists of some or all of the following:

- A detailed statement of the purpose, objective or goals to be undertaken by the contractor.
- The job classification or approximate skill level of the personnel to be made available by the contractor.
- An identification of all significant material to be developed by the contractor and delivered to the State.
- An identification of all significant materials to be delivered by the State to the contractor.

EMERGENCY PURCHASES 2612.5
(May 2005)

An emergency as defined by **PCC** section 1102 is “a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services.”

TYPES OF EMERGENCIES

2612.5.1

(May 2005)

An emergency is further divided into the following classifications which ultimately effects how the purchase activity will be processed:

- An emergency purchase in response to a natural disaster, i.e. fire, flood, earthquake.
- An emergency purchase not in response to a natural disaster.

REQUIRED DOCUMENTATION

2612.5.2

(May 2005)

Regardless of the classification of the emergency, **purchasers** must document the procurement file and/or provide to DGS/PD, as applicable, the following information:

- A description of the emergency.
- Explanation of why the situation warranted the emergency purchase.
- Explanation of the consequences of making the purchase through normal procurement processes.
- A description of the goods and price.
- The names and quotations of suppliers contacted.

RESPONDING TO A NATURAL DISASTER

2612.5.3

(No. 2 September 2005)

The following paragraphs provide the process for executing an emergency purchase in response to a natural disaster when immediate action is required. **However, in CAL FIRE, this process is followed for all natural disasters with the exception of fires.**

Natural Disasters other than Fire:

If the purchase activity is within a department's authorized non-competitively bid (NCB) contract purchasing authority dollar threshold (**for CAL FIRE this is \$5000.00 – 25,000**), the **purchaser** will proceed with the purchase:

- Documenting the circumstance of the emergency purchase.
- Issuing the purchase document, identifying the department's Purchasing Authority (PA) number in the PA number box on the purchase document. **Original Std 65 with supporting invoices should be processed for payment through your Unit Finance.**
- Report the transaction **to Region Business Services Officer for inclusion** in the NCB contract quarterly report. By forwarding a copy of the Std 65 and documentation of the circumstances.

If the purchase activity exceeds a department's authorized NCB contract purchasing authority threshold (for CAL FIRE this is \$25,000.01 - \$50,000) the purchaser will proceed with the purchase:

- Documenting the circumstance of the emergency purchase.
- Issuing the purchase document, identifying the department's Purchasing Authority (PA) number in the PA number box on the purchase document. Original Std 65 with supporting invoices should be processed for payment through your Unit Finance.
- Complete and submit NCA and copy of the purchase document to Region Business Services Officer for review and forwarding to Sacramento Business Services within 10 working days of contract award. Business Services will review, and obtain CAL FIRE Executive and Resources Agency approvals. Upon receipt of the signed NCA, Sacramento Business Services will forward Std 65, Documentation of the circumstance, and NCA to DGS/PD within 20 working days. A copy of the signed NCA will be sent to the purchaser for insertion in their purchaser's file.

If the purchase activity exceeds the department's Purchasing Authority (\$50,000.01 and above) the purchaser will proceed with the purchase.

- Documenting the circumstance of the emergency purchase.
- Issuing the purchase document, do not use the Purchasing Authority (PA) number in the PA number box on the purchase document, leave blank.
- Complete and submit NCA, Original Std. 65 with supporting invoices, and documentation of circumstance to Region Business Services Officer for review and forwarding to Sacramento Business Services within 10 working days of contract award. Business Services will review and obtain CAL FIRE Executive and Resources Agency approval and forward NCA, Documentation of Circumstances, Std 65 and a request for Form 42 to DGS/PD within 20 working days.
- Upon receipt of Form 42 form PD. Original Std 65 package along with Form 42 will be forwarded to Departmental Accounting Office for payment. A copy of the signed NCA and Form 42 will be sent to the purchaser for insertion in their purchaser's file.

Natural Disasters - Fire:

Each year CAL FIRE requests a Special Category Non Competitive Bid Request for all (00900) incident related goods and service purchases over \$5,000 from DGS Procurement Division. This Special Category Request (SCR) exempts CAL FIRE from the bid process for services and goods over \$5,000 during a "Going Fire".

If the purchase activity is within CAL FIRE's purchasing authority dollar threshold (for CAL FIRE this is \$5000.01 – 25,000), the purchaser will proceed with the purchase:

- Documenting the circumstance of the emergency purchase.
- Issuing the purchase document, identifying the department's Purchasing Authority (PA) number in the PA number box on the purchase document.
- Entering the SCR number in the extra information box, located to the right of the Supplier Address box.

The purchase is recorded and tracked by Business Services against the Special Category NCB request for future audit purposes. It is extremely important that this number be referenced on all purchases over \$5,000 so that it can be accounted for appropriately.

In addition to the Special Category Request, CAL FIRE also requests a "blanket" Form 42 , Authorization to Exceed Monetary Limits from Procurement Division prior to the beginning of fire season for all goods/commodity purchases exceeding \$25,000.

If the purchase activity exceeds CAL FIRE's authorized purchasing authority threshold (\$25,000.01 and above), the purchaser will proceed with the purchase:

- Documenting the circumstance of the emergency purchase.
- Issuing the purchase document, identifying CAL FIRE's blanket Form 42 authorization number in the Purchasing Authority Number box on the STD – 65..
- Entering the SCR number in the extra information box, located to the right of the Supplier Address box.

The purchase is recorded and tracked by Business Services against the Special Category NCB request and blanket Form 42 request for future review purposes. It is extremely important that this number be referenced on all purchases exceeding \$25,000 so that it can be accounted for appropriately.

EMERGENCY PURCHASE NOT IN RESPONSE TO A NATURAL DISASTER

(May 2005)

2612.5.4

The following paragraphs provide the process for executing an emergency purchase in response to other than a natural disaster when immediate action is required.

If the purchase activity is within a department's authorized non-competitively bid (NCB) contract purchasing authority dollar threshold (for CAL FIRE this is \$5000.01 – 25,000), the purchaser will proceed with the purchase:

- Documenting the circumstance of the emergency purchase.
- Documenting names and quotations of suppliers contacted.
- Issuing the purchase document, identifying the department's PA number in the PA number box identified on purchase document.
- Reporting the transaction on the department's NCB contract quarterly report.

If the purchase activity exceeds a department's authorized NCB contract purchasing authority threshold (for CAL FIRE this is \$25,000.01 and above), the purchaser will proceed with the purchase:

- Contacting CAL FIRE Business Services Sacramento immediately, providing the circumstances of the emergency.
- Business Services will contact DGS/PD immediately or within the next business day to provide the circumstance of the emergency:
- DGS/PD contact reviews the circumstance and if approved, assigns the transaction an Authorization to Exceed Monetary Limits (Form 42) number.
- Documenting the circumstance of the purchase.
- Recording the Form 42 number in the PA number box on the purchase document prior to issuing the purchase document.
- After issuing the purchase document, submitting to Business Services a Notice of Contract Award (NCA) and a copy of the purchase document immediately. Business Services will submit to DGS/PD the NCA and a copy of the purchase document within 5-working days of contract award.

NCA FORM (May 2005)

2612.5.5

Completed NCA documents must be retained in the procurement file.

EXAMPLES OF EMERGENCY PURCHASES (May 2005)

2612.5.6

Example

A mudslide, caused by a flood, occurs on a highway and the crew must make an immediate purchase for supplies to clean up the mud.

Non-Example

A department wants to purchase three (3) used bulldozers for routine forestry maintenance at a cost of \$492,000.00. The purchase saves the department an estimated \$260,000.00 when prices are compared to new bulldozer prices. Although it may be in the State's best interest to purchase the used equipment, it does not meet the definition of an "emergency".

Example

A wildland fire occurs in San Diego County and immediate purchases must be made to provide food for the fire crews.

Non-Example

The unit has received approval to replace all of the existing washers and dryers in their stations. Fire season opens in a week and the Unit wants to make an immediate purchase so that they can be installed and ready to go. This is not an emergency purchase because it does not pose an immediate threat to the public health, welfare or safety or an immediate threat to public property.

Warning: Poor planning is not an emergency.

[\(see next section\)](#)

[\(see HB Table of Contents\)](#)

[\(see Forms or Forms Samples\)](#)