

STATE OF CALIFORNIA
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Fiscal Operations

STATE PURCHASING AND CONTRACTING PROGRAM

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CHAPTER 1

GENERAL PROVISIONS

1-1. **PURPOSE AND SCOPE OF THIS REGULATION.** a. This regulation is designed to acquaint personnel involved in purchasing and contracting activities with the various procurement programs of the State of California and the Military Department. The policies and procedures referenced in this regulation are an extension of the procurement and contracting rules and regulations of the State of California set forth in the State Administration Manual (SAM).

b. This regulation pertains to State Non-Emergency conditions. During State Emergency operations, specific instructions regarding purchasing and contracting will be provided in accordance with the State Emergency Procedures Manual (EPM).

c. This regulation pertains to the use of the Armory Discretionary Improvement Funds. Armory and Air Base/Station commanders must have a "Plan for Expenditure" and process the request through the area coordinator to Facilities Armory Management (CAFE-AM) or Air Division Civil Engineering Officer (ANG/DE) in accordance with CAL ARNG Regulation 210-11.

1-2. **SUPPLEMENTING REGULATIONS.** This regulation may be supplemented only by policy letters which are issued periodically by the Purchasing and Contracting Branch, Comptroller's Office, Office of The Adjutant General (OTAG).

1-3. **PURCHASE VS. CONTRACT.** a. Chapter 2-10 of this regulation addresses purchasing and the accounting for receipt of material. Contracting for services is addressed in Chapters 11-16. In determining applicability of procedures, the rule is transactions with less than 10% labor charges are purchases, while transactions with greater than 50% labor charges are services. Transactions with labor charges between 10%-50% require consultation with the Purchasing and Contracting Branch to determine the appropriate method of acquisition.

b. Certain procurement activities are by their very nature always considered contracting actions without regard to the division of dollar value between material and labor. Examples of these activities include requirements for painting of buildings, roof repairs, etc.

c. Final determination of the appropriate procurement method for any specific acquisition project rests with the Chief, Purchasing and Contracting Branch.

1-4. **THE STATE PROCUREMENT SYSTEM.** a. The State procurement system is designed and operated to buy the right material of the right quality in the proper quantity at the right time from the proper source while conserving public funds through reduction in cost and improvement in the quality of materials purchased.

b. The State has adopted centralized purchasing to reduce the overhead cost of buying and to reduce the volume and streamline the flow of paperwork. The Office of Procurement, Department of General Services, is responsible for every purchase of supplies or equipment in excess of \$100 and for contracts for purchases for every State agency. By concentrating all purchases in one organization the State strives to achieve standardization, elimination of duplication of effort, and lower prices as a result of volume buying.

c. As it relates to the Military Department, the State procurement system exists primarily to support the operation and maintenance of facilities. The supplies and equipment required to support the State infrastructure are acquired via the State supply system (the State Procurement system described in this regulation). With the exception of the Office of The Adjutant General, supplies and equipment required to support unit activities (operations) are acquired via the Federal supply system.

1-5. PROCUREMENT SYSTEM PARAMETERS. a. Competitive Purchasing.

(1) The State is committed to a program of active competition in the purchase of commodities. Government Code Section 14781 makes it illegal for any agency or employee to draft or cause to be drafted any specification in such a manner as to limit the bidding directly or indirectly to any one specific vendor, or any specific brand, product, thing, or service. It is the aim and desire of the Office of Procurement to require that such competition be at all times conducted with responsible vendors, and the materials bought through such competition be properly suited to the job intended both as to price and quality.

(2) When an activity preparing a requisition determines that an article of a specified brand or trade name is the only article which will properly meet its needs, the activity will state such fact on the requisition and set forth all reasons requiring purchase of the specified item.

(3) When the range of bids received is such that procurement is not in the best interests of the State, all bids will be rejected.

b. Prohibited Practices.

(1) No State officer or employee will personally derive any benefit from use of facilities available to the State for the purchase of equipment, supplies, or commodities. Use of subpurchase orders or other State purchasing procedures to obtain property for personal use, or misrepresentations to vendors that personal purchases are for the State, for the purpose of obtaining price discounts not allowed on personal purchases, will expose officers or employees to prosecution under Penal Code provisions relating to embezzlement and theft.

(2) No Military Department employee nor any member of the employee's immediate family may derive any financial benefit from any procurement action executed by the Military Department.

(3) No Military Department employee nor any member of the employee's immediate family may accept any gift or gratuity (to include gratuitous product samples) from any vendor or potential vendor doing business with the Military Department.

(4) No Military Department employee shall accept from a potential vendor any free "field trial" service without prior approval from the Chief, Purchasing and Contracting Branch. The practice of accepting such trial services could potentially lead to complaints from other vendors not afforded a similar opportunity to display their wares, as well as potentially placing the employee in a position of defending against an accusation of accepting gratuities.

(5) No Military Department employee shall draft a specification that is unduly restrictive of competition (between manufacturers or between retail vendors), or that sets forth more than the minimum actual requirements of the State. Purchase descriptions shall include the common generic identification of the item required. A request to procure "brand name or equal" must detail the physical, functional, or other characteristics of the referenced product(s) which are essential. Procurement specifications from requesting activities are reviewed by the concerned fund manager and by Purchasing and Contracting Branch to insure compliance with this procedure.

(6) Requests to issue a purchase order after the goods have been received by the requesting activity will not be honored by Purchasing and Contracting Branch. After the fact orders ("Confirming Orders") will not be considered unless prior coordination has been accomplished with the Chief, Purchasing and Contracting Branch.

(7) An employee who represents himself to a vendor or contractor as having the authority to execute or approve a procurement action when in fact such authority is not vested with the employee exposes himself to potential disciplinary action.

(8) No employee shall make representations, commitments, or statements that a vendor or contractor will be awarded a contract or purchase order prior to the actual award of a contract or purchase order by the Purchasing and Contracting Branch.

c. Incompatible Activities.

(1) As a requirement of the terms and conditions of the Delegated Purchase Program, issued by the Department of General Services' Office Procurement, state agencies must ensure that all personnel involved in the procurement function are "free from conflict of interest" and do not engage in "incompatible activities" (Government Code Section 19990 covers incompatible activities).

(2) The Military Department utilizes the Incompatible Activities Statement (OTAG Form 900-24 [rev 1/87]) to identify those activities considered incompatible with State employment. Each employee involved with the purchasing and contracting process, regardless of civil service classification (Federal or State) is required to have a signed statement on file. The signed statement must be available for audit.

1-6. PURCHASING AND CONTRACTING BRANCH. a. Purchasing and Contracting Branch, Comptroller's Office, OTAG, is responsible for purchasing all equipment, supplies, and other required commodities for the Military Department within the State procurement system. Purchasing and Contracting Branch can provide assistance in the areas of:

- * Prerequisite investigation of possible supply sources and alternative product examination.
- * Material specification preparation.
- * Order follow-up and materials expediting.
- * Enforcement of terms and conditions of sales, including product quality as well as delivery standards.

b. Questions concerning procurement should be referred to Purchasing and Contracting Branch. It is the policy of the Military Department that Purchasing and Contracting Branch is the single point of contact with the Office of Procurement, Department of General Service. Direct contact with Office of Procurement by other elements of the Military Department without the prior specific approval of the Chief, Purchasing and Contracting Branch is prohibited.

1-7. PURCHASES AND CONTRACTS WITH SMALL, MINORITY, WOMEN-OWNED AND DISABLED VETERAN BUSINESS ENTERPRISES. a. The California Government Code mandates that a fair share of the State's purchases and contracts for goods and services be placed with small businesses.

b. The Public Contract Code mandates business placement goals of 15% for minority business enterprises (MBE) and 5% for women business enterprises (WBE). These two mandatory goals are separate and distinct from each other.

c. The Military and Veterans Code mandates that all purchases and contracts awarded by state government entities for construction and certain related purposes have statewide participation goals of not less than 3% for disabled veteran business enterprises (DVBE).

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d. The goal of the Military Department is to meet all statewide participation goals. Individuals charged with the management and prioritization of expenditures of funds dedicated to the support of a specific Military Department program or activity will take an active role to involve small, minority, woman and disabled veteran businesses in day-to-day purchase activity.

e. Definitions:

(1) **Small Business:** A business, in which the principal office is located in California, which is independently owned and operated, and which is not dominant in its field of operation.

(2) **MBE/WBE:** A business concern, (1) which is at least 51% owned by one or more minorities or women or, in the case of publicly owned business, at least 51% of the stock of which is owned by one or more minorities or women, and (2) whose daily management and daily business operations are controlled by one or more such individuals.

(3) **DVBE:** A business concern, (1) which is at least 51% owned by one or more disabled veterans or, in the case of publicly owned business, at least 51% of the stock of which is owned by one or more disabled veterans, and (2) whose daily management and daily business operations are controlled by one or more such individuals.

f. Evaluation and progress of the Small Business Procurement and Contract Act is monitored by quarterly reporting by the Military Department to the Office of Small and Minority Business (OSMB), Department of General Services.

g. The level of participation by small, minority, women, disabled veteran business enterprises is reported annually to the Governor and the Legislature. If the established goals are not being met, the Department must report the reasons for its inability to achieve the standards and identify remedial steps it will take.

h. Ethnic Identification Codes:

MALE

FEMALE

a = American Indian
b = Asian
c = Black
d = Filipino
e = Hispanic
f = White

W = Woman-owned Business

i. Ethnic Group Key

(1) **American Indian.** Includes all people having origins in any of the original peoples of North America. Individuals must be no less than one-quarter (25%) American Indian and who are recognized by either a tribe, tribal organization, or a suitable authority in the community. Alaskan native includes Eskimo and Aleuts.

(2) **Asian-Americans:**

(a) **Asian-Pacific Americans:** Includes all people of Chinese, Japanese, Korean, Okinawan, Thai, and Vietnamese or Southeast Asian descent

(b) **Pacific Islanders:** Includes all people of Hawaiian Samoan, and Guamanian descent.

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(c) **Asian-Indian American:** Includes all people whose origins are from India, Pakistan and Bangladesh

(3) **Black.** Includes all people of Black racial groups.

(4) **Filipino.** Includes all people having origins in the peoples of the Philippine Islands.

(5) **Hispanic.** Includes all people of Mexican, Puerto Rican, Central or South American descent, or other Spanish Native language culture or origin.

(6) **Woman-Owned Business.** If also minority owned, business will be coded as minority only.

j. Small Business Codes.

Small	S
Non-small	N

k. Small Business(es) Key

(1) A business which has requested the status of a small business and has been approved as such by the Office of Small and Minority Business.

(2) A concern shall not qualify as a small business if it is not, together with any affiliate(s), dominant in its field of operations.

(3) A business which is independently owned and operated, with the principal place of business located in California, and the officers, in the case of a corporation or owners in all other cases, of such business domiciled in California.

(4) A business which does not have, together with any affiliates, annual receipts in the aggregate for the prior three years which exceed maximum receipts specified for applicable industry groups whether contractor, non-manufacturer, manufacturer or service firm.

1. The goal of the Military Department is to place a minimum of 25% of its purchases and contracts with small businesses.

1-8. **DRUG-FREE WORKPLACE CERTIFICATION.** a. The Military Department may do business only with firms who certify that their firm maintains a "Drug-Free Workplace". Every contractor/vendor who does business with the state, must comply with the code and provide certification.

b. Completed Drug-Free Workplace Certification forms (Standard Form 21, with original signature) must accompany each Purchase Request, Service/Rental Request, and/or Local Purchase Authority (LPA) transaction or a current form must be on file in Purchasing and Contracting Branch.

c. Purchasing and Contracting Branch will compile a list of all vendors with a current Drug-Free Workplace Certification on file. The expiration date of the certification will be noted on the report. This list will be updated quarterly and distributed to each fund manager.

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1-9. OPERATIONS DURING NON-BUDGETARY PERIODS. a. In the event that the California State Legislature and the Governor of California do not have a signed budget by July 1 of the new fiscal year, normal procurement and contracting functions are suspended.

b. Purchasing is prohibited by any method including Local Purchase Authority, Service and Repair Order Delegations and the processing of Purchase Requests/Orders by the Purchasing Section.

c. The only exception to purchasing during a non-budgetary period is for an emergency expenditure. Compliance with the following criteria is essential:

(1) The emergency request must be processed and issued by the Purchasing and Contracting Branch. Absolutely no Local Purchase Authority or Service and Repair Orders will be issued for emergency situations in non-budgetary periods.

(2) A detailed statement describing the nature of the emergency must be attached. The Legislature has strictly defined "emergency expenditure" as an expenditure incurred in response to conditions of disaster or extreme peril which threaten the health or safety of person or property within the State.

(3) The Purchase Request(s) must be approved by the Comptroller.

(4) All information required for processing the document under "normal" situations must be provided.

CHAPTER 2

MILITARY DEPARTMENT PURCHASING OPERATIONS

2-1. **THE PROCUREMENT CYCLE.** a. The cycle of procurement may be divided into specific sequential steps for examination and discussion. These steps are:

- (1) Identification of need
- (2) Determination of responsible agency
- (3) Examine timing of purchase
- (4) Preliminary vendor search
- (5) Obtain comparative quotations
- (6) Identify funding
- (7) Transmit purchase request
- (8) Procurement Process (performed by Purchasing and Contracting Branch)
- (9) Receipt of goods
- (10) Processing and payment of vendor invoice

In a number of procurement actions these steps may overlap and in certain circumstances they may not occur in the order listed; however, in the preponderance of cases procurement actions will follow this sequence of events.

b. Identification of Need.

(1) The first step in the cycle is the identification of a need for an article or a service (or a combination of the two). For example, the need may result from a requirement to:

(a) Replace an article which has been in place for a period of time; such as burned out light bulbs, a replacement part for a machine, or a new device to replace one which is worn out.

(b) Replenish stocks of consumable supplies such as janitorial supplies or office stationery.

(c) Support a new function or activity.

(2) At the time a requirement for a procurement action is recognized, a determination must be made concerning whether such requirement is properly classified as a purchase or as a service contract. The rule of thumb concerning classification is that the predominance of value received for the funds paid out must be goods or merchandise for an action to be considered a purchase. Many aspects of the proposed action may be examined to make this determination. If an action is determined to be a service requiring contracting action reference should be made to Chapters 11-16 of this regulation for procedures to be followed.

(3) During this first step of the cycle, a determination must be made concerning the urgency of need of the purchase. A procurement action which must proceed on an urgent or emergency basis may be handled in the manner described in Chapter 10 of this regulation.

c. Determination of Responsible Agency.

- (1) In determining the agency responsible (Federal or State) to procure required material the intended use of item(s) is the primary factor considered.
- (2) Material intended to be utilized by units and activities will normally be procured through Federal channels by the United States Property and Fiscal Office (USPFO) utilizing Federal funds.
- (3) Items intended to support the operation and maintenance of facilities (OTAG, IMPACT, CCC, warehouse, armories, training sites and air bases/stations) will normally be procured with State funds by the Purchasing and Contracting Branch.
- (4) Fund managers through which requests for procurement action (RFPA) flow will review these requests and reroute those requests improperly forwarded in either system.
- (5) Requests arriving at OTAG Purchasing and Contracting Branch will be screened to insure their appropriateness for State procurement action.

d. Examine Timing of the Purchase.

- (1) All State activities which have recurring procurement requirements should develop a purchasing plan on an annual basis. Proper projection of requirements and planning of purchases will insure sufficient lead time and eliminate unnecessary "emergency" procurement actions.
- (2) Development of a procurement plan is required for articles defined as "equipment" by SAM 8602. The plan to procure equipment items is normally developed during the prior fiscal year budget preparation cycle.
- (3) Acquisition of certain commodities must be reviewed and approved by "control agencies" outside of the Military Department and the Office of Procurement. Review of requests for procurement by these agencies takes time and must occur before the purchase action can be forwarded to Office of Procurement. In these cases ordering activities must take action early enough to allow for these reviews (in addition to the normal time required for purchasing) prior to the date the material is required by the user. Documents are submitted to control agencies by the Purchasing and Contracting Branch.
- (4) Office of Procurement announces annually specific "cut-off dates" for various types of purchase requests in order for the purchase to be taken from current year funds. Purchasing and Contracting Branch publishes these dates for the use of fund managers in determining the last day of the fiscal year which Purchasing and Contracting Branch will accept requests to procure various categories of material. Often final request submission dates occur several months prior to the close of the State fiscal year and if the fund manager misses the deadline the purchase must be deferred until the following State fiscal year.

e. Preliminary Vendor Search.

- (1) Locating commercial vendors initially serves a twofold purpose. First, it is necessary to determine that a required item is available commercially ("off the shelf") and does not have to be fabricated. Second, locating an initial vendor provides a price estimate which is necessary in determining the path which the purchase action will take. Also, initial vendor pricing provides information to the requestor and the concerned supervisor to evaluate if the purchase action should proceed any further, be reduced in scope or quantity (e.g. unit cost too expensive), or perhaps be increased in quantity (e.g. unit cost less than anticipated).

(2) Requesting activities will many times be aware of local vendors to make initial inquiries based upon the type of goods sold by the vendor (e.g. hardware items, office equipment, etc.), and/or previous purchases made from a local vendor. The Purchasing and Contracting Branch is available to provide assistance in locating vendors.

(3) Catalogs are an excellent source of initial vendor and pricing information. Requesting activities which frequently purchase certain commodities are encouraged to build a small library for vendor catalogs and pamphlets.

(4) The most significant aspect of the preliminary vendor search is determining if the required article is available from Mandatory Sources i.e., Materials Services ("State Stores") Prison Industry Authority (PIA), State Contract or State Price Schedule (SPS). NOTE: See Chapter 6-5 for the exception to mandatory usage of SPS.

(a) Activities which frequent purchase requests and their approving supervisors and fund managers, will be issued Material Services and PIA catalogs and receive copies of frequently used State Contracts and SPS for their use in identifying available products.

(b) Items available from Materials Services must be ordered from that source (see Chapter 7). Items available on State Contract must be ordered from the contract vendor if the contract conditions can be met (see Chapter 6). Items on SPS must be ordered from the SPS unless a significant advantage to the State can be realized by purchasing the articles elsewhere (see Chapter 6). Items available from Prison Industry Authority must be ordered from that source.

f. Obtain Comparative Quotations.

(1) Assuming the preliminary vendor search established that the required article(s) would be appropriately purchased from an outside vendor, a number of different potential vendors must be contacted for price quotations as required by the purchasing program to be used:

(a) Local Purchase Authority (LPA) purchases require one quote for commonly available items and/or for non-standard/unique items (see Chapter 3).

(b) Department Delegation purchases require from one quote to three quotes, depending upon the amount of the transaction. (see Chapter 4).

(c) Formal Purchase Orders (to be issued by Office of Procurement) require a single price quote (see Chapter 5).

(2) Regardless of the type of purchasing program being utilized or the number of quotes required, adherence to specific standards in developing quotations is required.

(3) All vendors must quote on like items.

(a) Care must be taken (just as in the preliminary vendor search) that the requesting activity has decided on a specific make/model of article based upon an initial generic specification of the required functions and capabilities of the item. This specification must not be unduly restrictive of competition (between manufacturers or retail vendors) and set forth only the minimum actual requirements of the State.

(b) Quotations must be solicited on like items based upon the brand and model of article acceptable for purchase.

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(c) Purchasing and Contracting Branch will review requests for applicability of generic product characteristic standards and may suggest alternate product lines; however, fund managers' decisions as to specific brand name items will not normally be altered except in cases involving "sole source" purchases, cases where quotations are not responsive to the requirements, or where there appears to be a significant advantage to the State in procuring an alternate product.

(4) All vendors must be quoting on a like quantity.

(a) The quantity in which a product is purchased will often affect the price a vendor will charge for the item. All vendors contacted for quotations should clearly understand the anticipated quantity of the purchase.

(b) If during the gathering of quotes a price is developed which will permit purchasing of a greater quantity than originally anticipated for the same total cost (and the fund manager determines to make the larger purchase) each vendor who had previously provided a quote at a lower quantity must be recontacted and provided an opportunity to quote again on the larger quantity purchase.

(5) All vendors should be quoting the same delivery basis.

(a) A factor which must be evaluated in determining the lowest cost of acquisition is the cost of the material reaching the requesting activity - the transportation cost.

(b) This factor is most often expressed as Free on Board (FOB) basis. FOB point is simply that place to which the purchase is transported free. The cost of moving the item from place of manufacture to the FOB point is included in the price quoted by the vendor. FOB has also been commonly referred to as Freight on Board. The Department of General Services Traffic Management Division has determined that the use of either phrase is appropriate.

(c) Most small purchases for facility (armory/training site/airbase) maintenance will be picked up at the vendor's place of business and delivery charges will not be a factor in the purchase decision, provided all potential vendors are local to the facility. FOB basis would be expressed as "will call" on the RFP. Tax rate is based on the vendor's location.

(d) Other purchases to support facility maintenance or repair projects may come from local or regional vendors where delivery to the work site is desired. When a vendor will charge extra to deliver to the location where the commodity is ultimately required, the FOB basis may be expressed as "pre-pay and add" followed by the name of the city in which the vendor's shop is located. When delivery to worksite is included in price quoted by the vendor the FOB basis is expressed as "destination". In either case, the tax rate is based on the "ship to" location (i.e. where the items requested are taken possession of by Military Department representative).

(e) Some shipments of purchased goods will originate a great distance from the delivery location. If the basis is not FOB: Destination (that is, if delivery was not included in the quoted price) the actual city from which the State will pay transportation charges must be specified. Notations such as FOB: Pre-pay and Add - Fresno, CA or FOB: Pre-pay and Add - New York, NY properly express the FOB basis. Notations like FOB: Vendor's Warehouse are not permissible.

(f) RFP reaching Purchasing and Contracting Branch should all quote the same FOB basis; however, in those cases where it is not possible to provide the required number of quotes with the same basis, differing quotes may be listed as long as the FOB point is clearly noted for each quote.

(g) At the time of price quotation, each vendor must provide a date of final delivery (to be stated as "after receipt of order"-ARO). This should be noted on the RFPA as "date wanted" (e.g, 15 days ARO).

(6) When price quotations are solicited for all but LPA purchases, vendors should be requested to provide a price quote valid for at least 30 days.

(7) In those cases where verbal price quotations are solicited a record of price quotation (OTAG Form 37-3-5) must be prepared. See Figure 2-1, page B-1 for sample. A price quotation continuation form (OTAG Form 37-3-5a) is also available. See Figure 2-2, page B-2, for sample.

g. Identify Funding.

(1) The process of identifying proper funding should commence at the time the need for the purchase action is identified. One factor in determining that the State is responsible for the procurement is the verification by the approving supervisor and/or fund manager that the proposed purchase can be properly charged to an existing State object of expense account.

(2) As the vendor search and comparison quotation phases proceed, further review should be done by the approving supervisor to insure that it is fully appropriate to charge the proposed purchase to the account originally intended and that the fund manager believes sufficient funds are available to support the request as comparison prices are developed.

h. Transmit Purchase Request.

(1) Routing of requests for Local Purchase Authority (LPA) purchase orders is the internal function of the organization granted LPA authority by Purchasing and Contracting Branch. Documentation of request and approval specified in Chapter 3 is required for retention in the organization's record file.

(2) Requests for purchase orders to be processed by Purchasing and Contracting Branch will normally be prepared on Military Department Purchase Request OTAG Form 37-3-4 (6 part form) and signed by the requesting official (originator) and approving authority.

(a) Specifics concerning completion of the OTAG Form 37-3-4 are found in the respective chapter concerning the type of purchase action being sought by the requesting organization.

(b) Routing of these documents between the originator and the fund manager will be determined by the fund manager who must insure that OTAG Form 37-3-4 reaches Purchasing and Contracting Branch with the proper commodity description (including appropriate SLAMM classification), properly documented comparative quotations, appropriate fund citation, and signature of the fund manager. All purchase requests must be routed through either State Accounting (CAST-SA) or Federal Accounting (CAST-FA), depending upon type of funds used for purchase action (State or Federal), for assignment of a fiscal control number (FCN) and encumbrance of funds prior to the action reaching the Purchasing and Contracting Branch.

i. Procurement Process.

(1) The process of actually accomplishing the purchasing action (except LPA purchase orders) is performed by the Purchasing and Contracting Branch at OTAG.

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(2) During the procurement process questions may arise regarding the requirements of the originator. Purchasing and Contracting Branch will normally address these questions to the fund manager who approved the purchase request. When prompt action is required to meet the needs of the requesting organization, Purchasing and Contracting Branch may contact a field element (the requestor) directly.

(3) Prior to completion of the purchasing action, fluctuation in price may occur. Minor variations increasing or decreasing the dollar value of the order will be administratively approved by Purchasing and Contracting Branch. Fund managers will be notified by distribution of a copy of the final purchase document. No separate notification will be made.

(4) Major changes in the proposed value of a purchase action (increases greater than \$100.00) will be referred to the fund manager for a commitment (verbally or in writing) prior to the purchase document being issued.

(5) When a purchase document is issued by Purchasing and Contracting Branch a copy is forwarded to the approving fund manager. This copy is intended to provide final information concerning the dollar value of the order, the selected vendor, and the estimated delivery date to the fund manager, intermediate approving supervisors, and the requestor. This copy also provides information required by receiving personnel to accurately check the order when received.

j. Document Receipt of Goods.

(1) Receipt of articles purchased under Local Purchase Authority (LPA) is documented by the person receiving and signing the Sub-Purchase Order (STD 40A) in the certification of receipt box at the bottom of the form. This procedure may be followed only in those cases when the merchandise is picked up at the time the LPA document is turned over to the vendor. In those instances where merchandise is delivered at a later time, procedures described below for use of a Stock Received Report (SRR) must be followed.

(2) Receipt of goods purchased under any procurement program other than LPA must be documented by use of a Stock Received Report (STD 106).

(a) Each Military Department activity designated to receive vendor deliveries will have a specific individual responsible for completing the SRR after checking in orders.

(b) Stock Received Reports must be completed and forwarded to the Military Department ATTN: CAST-AP, on a daily basis as partial and/or complete orders are received.

(c) Detailed completion instructions for the SRR will be found in Chapter 9.

k. Processing and Payment of Vendor Invoices.

(1) The process of reviewing, validating, and effecting payment of vendor invoices is accomplished by the Accounts Payable Section of the Accounting Branch at the Military Department.

(2) All purchase documents issued by Purchasing and Contracting Branch or by Office of Procurement will specify that vendor claims (invoices) should be presented directly to Accounts Payable Section and not to the delivery location of the goods.

(a) Personnel at field elements (delivery locations) should take no action which would cause a vendor not to mail a claim for payment directly to the Military Department.

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(b) Vendor invoices mistakenly mailed to delivery locations (or arriving with the goods purchased) must be forwarded directly to the Military Department ATTN: CAST-AP.

(3) Provisions of law and procedures found in the State Administrative Manual govern the methods and priorities for payment of claims.

(a) Field elements may not make any guaranty as to a specific time period required to process an invoice nor make any commitment concerning any certain day or date an invoice will be paid.

(b) Requests for such commitments from vendors should be referred to Purchasing and Contracting Branch for response.

(c) No invoice (except LPA purchases) is processed for payment until a Stock Received Report (STD 106) is received specifying the items and quantities actually received.

(4) Because of the necessity to expeditiously process vendor invoices, Accounts Payable personnel may, on occasion, contact personnel at delivery locations directly. Any questions not resolved between Accounts Payable and receiving personnel will be referred to the concerned fund manager by the Accounts Payable.

(5) The State of California is required by law to the pay late payment penalties on vendor invoices where payment is delayed. Additional penalties are due when the vendor is a small business and final payment is not made within 30 days after the vendor presents the invoice.

(6) Following audit by Accounts Payable Section, invoices are transmitted to the State Controller's Office for payment to the vendor. Invoices are not paid directly by the Military Department.

2-2. **TYPES OF PROPERTY.** a. All property purchased through the State procurement system will be classified as either "equipment" or "operating expense" items.

(1) Articles classified as equipment items require special coordination between the fund manager, Purchasing and Contracting Branch, and Budget Branch.

(2) Requesting activities anticipating a need to acquire property classified as equipment must begin the coordination process with the concerned fund manager as the need for the item is first identified.

(a) The cost of equipment includes the purchase price plus all costs to acquire, install and prepare equipment for its intended use (SAM 8614).

(b) Development of a Procurement Plan is required for articles defined as equipment. Activities intending to purchase items classified as equipment, must coordinate with the appropriate Budget Branch during the prior fiscal year budget cycle to insure their intended acquisition appears on the approved Military Department Equipment List. (Sch. 9)

(c) When the activity wishes to purchase an item that has been identified on the current fiscal year Equipment List, an OTAG 37-3-4 Requisition Form is prepared and forwarded to the appropriate Accounting Branch for verification of funding. The request is then forwarded through CAFE-AM (for Control Documentation) to CAST-PC.

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b. Equipment items are those articles specifically identified as such on the Equipment List (Sch 9); and such other moveable articles of nonexpendable property which have all of the following characteristics:

- (1) A normal useful life (including extended life due to repairs) of four years or more.
- (2) An identity which does not change with use (i.e., not consumed by use or converted by fabrication into some other form of property.)
- (3) A nature that makes formal property accountability practical.
- (4) An approximate unit cost of \$500.00 or more.
- (5) Be used to conduct State business.

c. All fund managers and most approving supervisors have copies of the Equipment List available for reference.

d. Certain items that seem to fit the definition of equipment (i.e industrial hot water heaters, kitchen sink assemblies, central heating units, etc) may, in fact, be considered improvements/betterments if they meet the following criteria:

- (1) Is a non-consumable end item.
- (2) Loses its separate identity and becomes part of the building/land and its operating function.
- (3) Makes the asset (building/land) better than its previous condition.
- (4) Provides longer life, increased capacity and lower operating costs for the asset.
- (5) Is permanently attached/installed (i.e. electrically hard wired, plumbed, welded, etc) and will not function independently.

e. If the commodity you wish to purchase seems to fit the category of improvements/betterments, the following must be included with your RFPA:

- (1) A written justification detailing how the item meets all the above conditions.
- (2) An explanation specifically addressing how the item is installed and operates within the building or system.

NOTE: Items purchased under these conditions are capitalized to the asset benefited (SAM 8613).

f. When the Military Department determines that a certain article is appropriately classified as either equipment or operating expense, that article will continue to be classified in that manner regardless of any single item being slightly above or below the dollar value threshold.

g. In addition to items classified as equipment, requests for procurement of typewriters will also be forwarded through CAFE-AM, regardless of cost.

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h. When an equipment item is being purchased, the corresponding item number identified on the Sch. 9 must be referenced on the Purchase Request. If an equipment item being purchased is a substitute for an item on the Sch. 9, the corresponding item number being substituted must be referenced on the Purchase Request.

2-3. **LEASE VERSUS PURCHASE.** a. In those cases where a request to lease or rent certain specified equipment items (e.g., copy machines) for more than 90 days is submitted to the Purchasing and Contracting Branch, a formal analysis must be conducted to determine the relative benefits to the State if the item was leased rather than purchased outright.

(1) In all cases where an equipment item is proposed for purchase and it is intended to be employed on one project without a future need for the item, leasing should be considered.

(2) Fund managers are responsible for completion of the Lease-Purchase Analysis Form to be submitted with OTAG Form 37-3-4 Purchase Request to Purchasing and Contracting Branch.

(3) Early coordination with the Purchasing and Contracting Branch on transactions where the question of a lease will be a factor may reduce potential delays in completing the action.

b. Short term rental of equipment for facility maintenance and repair projects (e.g., ditch digging machines, paint sprayers, etc.) are processed as service orders and are discussed in Chapter 12. Repeated need to rent the same type of equipment would raise a question concerning the appropriateness of equipment lease or purchase of the item.

c. Lease-Purchase Analysis Forms are available from the Purchasing and Contracting Branch.