BMC Module 3 - Acquisition Management

Family and Morale, Welfare, and Recreation (Family and MWR) is a Department of Defense (DoD) organizational entity designated as a Nonappropriated Fund Instrumentality (NAFI) of the United States government. NAFIs operate under the authority of the U.S. Government in accordance with applicable Federal laws and departmental regulations.

Programs managed by Family and MWR personnel include libraries, recreation centers, child and youth programs, arts and crafts programs, golf courses, bowling centers, other sports programs, and clubs. To operate e. ective programs, equipment and supplies must be purchased and contracts for entertainment, sport officials, and other activity support must be awarded. The process of obtaining supplies and equipment or awarding contracts is called acquisition. For Family and MWR programs, there are two different methods of acquisition, one using appropriated funds (APF) and the other, nonappropriated funds (NAF).

In order to understand the details of procurement, it is important to see how it fits in the entire acquisition management process performed within the Government and NAFIs. This module will introduce the basic concepts applied in the acquisition process by defining terms and explaining how sources for funding provide two distinct sets of guidelines for acquisition.

1.1 Overview

The acquisition process for all Government entities, including NAFIs, is considered an inherently governmental function. The process is carefully managed by authorized Government and NAFI officials to ensure that all acquisitions are handled in a timely manner and at a reasonable cost.

At the end of this lesson, you will be able to:

1   Explain the difference between the terms "acquisition," "contracting," and "procurement" as applied to the process of acquiring goods and services for the Government and NAFI.

1.2 Acquisition

Acquisition is a Government process that begins with establishment of needs and concludes with fulling those needs.

The acquisition process includes the description of requirements, certified funding, solicitation and source selection, contract award, contract performance, contract administration, and all technical and management functions directly related to the contract. There are three distinct phases of the acquisition cycle:

1   Acquisition Planning

2   Contract Formation

3   Contract Administration

1.3 Procurement

Procurement is the complete action or process of acquiring or obtaining goods or services using any of several authorized means. Procuring activity is usually synonymous with acquisition in Government regulations.

The classification of procurement(s) is important in determining funding, types of contracts to be used, applicability of contract clauses, and coverage of socioeconomic provisions.

Categories of procurement are:

- ☐ Supplies

- ☐ Services

- ☐ Construction

- ☐ Architect and Engineering Services

- ☐ Concessionaire Contracts Information

- ☐ Technology

1.4 Contracting

Contracting is a subset of the Government acquisition process.

A Contracting Activity is an element of a Government agency, designated by the agency head, that is delegated broad authority for acquisition functions.

Procurement Contracting is the process of purchasing, renting, leasing, or otherwise obtaining supplies or services from non-federal sources. Procurement Contracting is simply referred to as "contracting" in most agencies of the Government.

Contracting includes:

1   Description (not determination) of supplies and services required.

2   Selection and solicitation of sources.

3   Preparation and award of contracts.

4   Contract administration.

The objectives of contracting are to purchase quality supplies and services:

- ☐   In desired amounts.
- ☐   At the proper time.
- ☐   From responsiblevendors.
- ☐   At the best value.

> ⓘ It is important to note that in all branches of Government, speci c individuals are assigned the role of procurement or contracting of cial, and that only these designated of cials have the power to bind the Government in a contract.

2.1 Overview

Acquisition management is an **effi**cient process used by Family and MWR to ensure that supplies, services, and construction required to operate First Choice Family and MWR Programs are available when needed, and at the best value for the Nonappropriated Fund Instrumentality (NAFI).

At the end of this lesson, you will be able to:

1 List the four major parts of the acquisition management process.

2 Explain the goal of nonappropriated fund (NAF)/appropriated fund (APF) procurement systems.

3 Describe the major tasks of the acquisition process.

2.2 The Acquisition Management Process

APF and NAF acquisition management systems differ in the specific policies and procedures that must be followed. However, both systems are comprised of four major sub-processes. These four major sub-processes can be identified as:

- [ ] Procurement
- [ ] Receipt
- [ ] Storage
- [ ] Issue

The first part, procurement, details the process of acquiring the item. The final three parts deal with property control and accountability.

2.3 Procurement Basics

Procurement is the . rst of the four-part acquisition management system. It is defined as the complete action or process of acquiring or obtaining goods or services using any authorized means. The goal of the NAF/APF procurement systems is to obtain quality supplies, services, and construction in an efficient, cost-effective, and timely manner.

To ensure delivery of the right supply or service at the right time, in the right amount, and at the best value, the Family and MWR Activity Manager should perform the following major tasks of the procurement process:

1   Plan the acquisition

2   Determine specification or purchase descriptions

3   Determine funding sources

4   Determine method of procurement if formal contracting is not used

5   Prepare the request

6   Involve the contracting office as necessary

Planning the Acquisition

The Activity Manager identi. es a need as the first step in procurement planning. To ensure that funding is available, it is preferable that this occur during budget preparation.

Because the procurement process may take **time**, identification should be made well in advance of the time the item or service will be required.

NOTE: A formal written and signed acquisition plan may be required based on the dollar threshold of the procurement.

Determining Specification or Purchase Descriptions

The requesting activity must determine which supplies or services most adequately meet its needs and must clearly define the specifications of the supplies or services. Market research should be included as part of the procurement package documentation.

This task forces the manager to thoroughly consider the specifications of the need and to provide a description sufficient to ensure delivery of the exact or comparable supply or service that will meet the need of the activity.

Determining Funding Sources

Since Family and MWR programs are funded with a mix of APFs and NAFs, the next step is to determine which source will be used to procure the supply or service.

Determining Method of Procurement

A Family and MWR Activity Manager may purchase items with the use of a Government Purchase Card or with petty cash, but many times a more formal method must be used in order to acquire or procure needed items or services. In this step, the manager determines if these methods may be used or if the request should be forwarded to the contracting office.

Processing the Request

The funding source and method for the procurement will determine the procedures used to process the request. Each funding source and method has specific regulations and guidelines that must be followed. If the Activity Manager has correctly and thoroughly followed these procurement basics, he or she should expect to receive the supply or service in a reasonable delivery time and at the best value.

> (i) **Training Tip**
>
> Acquisition planning should begin as soon as the requiring activity's need is identi ed because it is the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for ful lling the NAFI's needs in a timely manner and at a reasonable cost.

2.4 Receipt Basics

Following procurement, property control and accountability begin with the receipt of the property on the installation.

This is the second part of acquisition management. Generally, for APF equipment and supplies there is a central receiving site. APF items, depending on dollar value, may be placed on the installation hand receipt and sub-hand receipted to authorized hand-receipt holders in Family and MWR. Such items remain the property of the US Government/installation. NAF items are usually received at the facility that ordered them.

When we show up to the present moment with all of our senses, we invite the world to fill us with joy. The pains of the past are behind us. The future has yet to unfold. But the now is full of beauty simply waiting for our attention.

Preparation Is the Key Basic in Receiving the Ordered Supplies

Managers should provide internal controls by:

1 Writing standing operating procedures (SOPs) for receiving supplies.

2 Establishing and equipping an area for receiving.

3 Appointing responsible receiving personnel.

4 Establishing procedures for accepting services.

Other Receipt Basics

The following steps should also be performed on receipt of goods:

Step	Explanation/Comment
Inspect the delivery	Are there defects or breakage? Are all the parts included?
Verify Supplies	Are these the supplies that were ordered?

Step	Explanation/Comment
Complete receiving document	Indicate either partial or complete receipt of supplies. The type of receipt documents will depend on how the procurement was funded.
Submit document for payment	Payment documents are different for APF and NAF.

> ⓘ **Separation of Duties:** If you are the person/activity manager inputting the PR or using a GPC for the procurement then the receiving should be conducted by another individual.

2.5 Storage Basics

Following receipt and prior to issue, property must be accounted for and safeguarded. The type of storage facility, the physical arrangement, centralized or decentralized location, and other variables depend on the item to be stored, as well as on local factors. The type of item varies from perishable to durable, small to large, high to low threat vulnerability, and small to large cost. Each item represents a usable and accountable asset and each must, therefore, be stored appropriately.

Step 1

Identify appropriate storage for each item received.

The manager must make sure that each item's storage requirements are met. Does the item need cold or dry storage? Should it be protected from excessive sunlight?

Step 2

Establish the storage method.

Items should be sequentially stored, such as alphabetically, putting like items together, or some other classi. cation system. Arrange items so a "first in, first out" (FIFO) issue procedure can be used.

Step 3

Initiate storage area inspections.

Inspect to secure stock, detect sanitation and spoilage problems, and locate slow-moving stock.

Step 4

Establish storage controls.

Examples of controls are: limiting access to the storage area, requiring each person entering the storage area to sign in, and conducting frequent inventories.

Step 5

Use stock record cards.

Record cards help to keep track of the items stored.

2.6 Issue Basics

Issuing refers to the process of distributing goods from storage to the receiving activity for use in operating that activity.

Since the manager is accountable for all items on the activity property record and all items kept in the activity storeroom, it is essential that he or she establish procedures to account for items issued to activity personnel. These procedures safeguard government and NAFI goods and property and help to ensure that supplies are available to operate Family and MWR programs.

APF property is hand-receipted to activities.

There are generally two ways to issue NAF property or storage items:

Transfers Between Activities or Departments

TBAs occur when one activity has an item that another activity needs. For example, the club restaurant has hot dog rolls that the Bowling Center needs and transfers the rolls to the Bowling Center. TBAs can also occur between departments. The dining room at the club, for example, transfers hot dogs to the club mobile snack truck. When issuing items in this example, the activity transferring the items is responsible for completing the pre-numbered control form, DA Form 4080 that is issued by NAF Financial Management. TBAs can also be created in FOODTRAK.

Requisition

The requisition is the formal, written request for an item purchased and retained in a central facility, warehouse, or storeroom.

Employees' Safety Program Responsibilities

Reread OSHA poster and know their rights and responsibilities and the responsibilities of their leaders and supervisors regarding safety and accident prevention.	Follow the employer's safety and health rules by complying with OSH Act, regulations, SOPs, and other applicable policies, including correctly using provided personal protective equipment (PPE).
Know procedures to control risks and work safely and use Composite Risk Management (CRM).	Report accident risks, accidents, near misses, and hazards in their workplace as soon as possible to their supervisor or leader, through their chain of command, or directly to the installation safety and health oc ial.

3.1 Overview

From the beginning of the acquisition process, there is a ow` of funds to pay sources providing goods and services to the Government. This process generally begins with the certication` that funds are available to meet the need, and ends with payment to the contractor(s) that provided the goods or services.

At the end of this lesson, you will be able to:

1   Di. erentiate between the two types of funding used in Government acquisitions.

2   Explain Uniform Funding and Management (UFM) for Family and MWR practice as it applies to acquisition.

3.2 What Is the Difference Between APF and NAF?

Appropriated Funds

APF are taxpayer dollars made available to DOD by Congress as part of the National Defense budget. These funds are allocated annually based on budgetary requests and availability. The NAF budget process has changed signi cantly since regional funds have replaced garrison/community funds. Likewise, the introduction of the MWR Utilization, Support and Accountability (MWR USA), and the Uniform Funding and Management (UFM) have caused the budget process to evolve.

In more simplistic terms, IMCOM provides Regions and garrisons with how much APF revenue they can expect, what the Army considers the highest priorities, and what the validated and un nanced requirements are. This information establishes the basis for completing each Region and garrison's NAF budget.

Nonappropriated Funds

NAF are locally generated income earned by Family and MWR at the installation level. NAF come primarily from the sale of goods and services to military and DOD civilian personnel and their family members. Outside sources of NAF include donations, Army and Air Force Exchange System (AAFES) revenue, commercial sponsorship, and Army Recreation Machine Program (ARMP).

The funds generated by Family and MWR programs become part of the Installation Family and MWR Fund (IMWRF) daily and are used to pay for day-to-day expenditures such as supplies and personnel. These funds are also used for long-term investments in equipment and facilities.
In general, NAFs are not used to pay costs in acquiring items or services authorized to be paid using APFs when APFs are available. Rather than using soldier dollars (NAFs) to obtain supplies and services, Family and MWR Managers should use taxpayer dollars (APFs) when funds are authorized for those purposes. Appendix D in AR 215-1, lists the APF funding authorizations for elements of expense.

> (i) DA Form 7566, Composite Risk Management Worksheet, provides a standardized means of documenting the CRM process.

3.3. The Flow of APF

The "flow of funds" is, primarily, a two-phased process. The first phase is the distribution of available funds to appropriate Government offices, referred to as "apportionment."

The second phase in the ow of Government funds is "execution." The execution phase consists of three parts:

Phase 1

Commitment

Execution begins when the funds are reserved.

Phase 2

Obligation

In the second part of the execution phase the contract is signed indicating the Government promises to pay for promised goods and services.

Phase 3

Expenditure.

The nal part of execution, expenditure, is the point at which the Government pays the contractor for satisfactory receipt of goods and services.

Government contracting activity begins with obligation (this term is not used in the NAF contracting community) and ends with expenditure of funds. The contracting activity is a critical link between the commercial sources of supplies and services and the requirements of Government agencies to successfully complete execution.

3.4 Using Appropriated Funds for Family and MWR

Family and MWR programs are categorized based on two primary criteria:

- The relationship of the activity to readiness and retention

- The activity's ability to generate revenue

APF are allocated to operate programs that have a high correlation to readiness and retention but lack the ability to generate revenue for self-sustainment

Category A activities are mission-sustaining activities that lack income generation capability. They are generally funded 100% with APF. Most procurement in these activities would be resourced by APF.

Category B activities are considered basic community support. A majority of their funds are APF. These activities do have some ability to generate NAF revenue and may use NAF to fund procurement.

3.5 Using Nonappropriated Funds for Family and MWR

Once the assessment is complete and potential hazards have been documented, controls should be identi ed to diminish these hazards. Many controls may be developed through problem solving based on experience and knowledge or found in SOPs, regulations, eld manuals, and operator manuals.

Select controls to change the design, process, task or operation of the activity in the following order:

1   Incorporate safety devices

2   Provide warning devices

3   Develop procedures and provide training

4   Provide personal protective equipment

(i)   The USACRC/Safety Center https://safety.army.mil and other safety websites are excellent sources for identifying additional controls.

Controls:

Actions taken to eliminate or reduce risk to an acceptable level.

Selecting Controls

To determine appropriate controls; you should:

Describe what actions need to be taken to prevent injuries or accidents.

Select control to either eliminate the hazard or reduce the risk (probability or severity) of the incident.

Select control based on level of risk reduction, cost, feasibility, and required management controls

Controls normally fall into one of three categories:

- [ ] Training and Education: i.e., Blood-borne pathogen training; Egress/AssistanceLTraining.

- [ ] Physical: i.e., signs, fences, protective equipment.

- [ ] Avoidance/Elimination: i.e., choosing an alternate route to avoid a hazard, orLrepairing an unsafe playground to eliminate a hazard.

Decision Making

Reassess each hazard to determine **Residual Risk**, the risk remaining after controls areLapplied. Is the residual risk justied? Is the benet worth the potential cost? LeadersLcontinuously assess the risk, balance risk against costs, and take appropriate actions toLeliminate unnecessary risk.

Risk decisions must always be made at the appropriate level of command. The decision makerLalone decides if controls are sucient   and acceptable and whether to accept the resultingLresidual risk. Check your organization's risk decision approval policy to determine who hasLthe authority to approve your mission or activity.

Residual Risk: Risk that remains after implementing all planned countermeasures or controls to eliminate, reduce or control the impact of the hazard. The residual risk can also be the initial risk when the initial risk is so low that the hazard did not warrant expenditure of funds to mitigate.

3.6 Family and MWR Funding Categories Video

Click play to watch the video.

3.7 Uniform Funding and Management

Under Uniform Funding Management (UFM), appropriated funds (APF) may be treated as non-appropriated funds (NAF), and expended in accordance with laws applicable to the expenditures of NAF in order to facilitate:

- [ ] The procurement of property and services for MWR

- [ ] The management of employees used to carry out the programs

These responsibilities will include working with new customers, purchasing of different supplies and services, management oversight and administration of additional purchase cardholders and billing officials and execution of contractual actions currently done by an appropriated fund (APF) procurement office.

In addition, contracts currently being administered by the APF contracting office should be transferred to the servicing NAF Office, if the contract is solely for the MWR activity.

4.1 Overview

Regulatory guidelines for procurement have been established for all executive agencies. For Appropriated Funds, this guidance is the Federal Acquisition Regulation (FAR) System, as defined in the [FAR manual](#).

At the end of this lesson, you will be able to:

1 Define the terms "regulations" and "directives" as used within the federal Government to regulate procurement processes.

2 Identify the primary regulatory guidance used for appropriated fund (APF) procurements.

3 List current Department of Defense (DOD) directives and instructions applicable to nonappropriated fund (NAF) procurements.

4 Identify the Army Regulation (AR) applicable to NAF procurement and contracting.

4.2 What are Regulations and Directives?

As an executive agency, the Department of Defense has established additional guidelines, in the form of written communications termed "directives". And, as an agency within DOD, the Department of the Army has also established supplemental guidelines for procurement. These additional guidelines are included in the "Army Regulations" issuances.

Regulations

Regulations are rules and administrative codes issued by Governmental agencies at all levels (i.e., municipal, county, state, and federal). Although regulations are considered guidelines rather than enforceable laws, they have the force of law, meaning they are often supported by related laws, and may include penalties for violations.

DOD Directives

A DOD Directive (DODD) is a broad policy document containing what is required by legislation, the President, or the Secretary of Defense to initiate, govern, or regulate actions or conduct by DOD components within their specific areas of responsibility. As an executive agency, DOD has established directives that provide guidelines for procurement.

Directives are written communications that initiate or further govern action, conduct, or procedures at the agency level. The DOD Directives System governs directives, instructions, and other issuances within DOD. For access to a complete listing of DOD issuances, see the DOD Issuances Website.
DOD Directives:

> Establish or describe policy, programs, and organizations.

> Define missions.

> Provide authority.

> Assign responsibilities.

DOD Instructions

In addition to the DOD Directives, there are also Department of Defense Instructions (DODIs). DODIs implement a policy or directive, or prescribe the manner or specific plan or action for carrying out the directive.

4.3 Regulations for APF Procurements

For executive agencies of the Government, the FAR is the primary source of authority for the Government procurement process. The FAR provisions are implemented and augmented by the various agency supplements and are subject to interpretation by entities such as the Federal courts, the Armed Services Board of Contract Appeals, and the General Services Board of Contract Appeals.
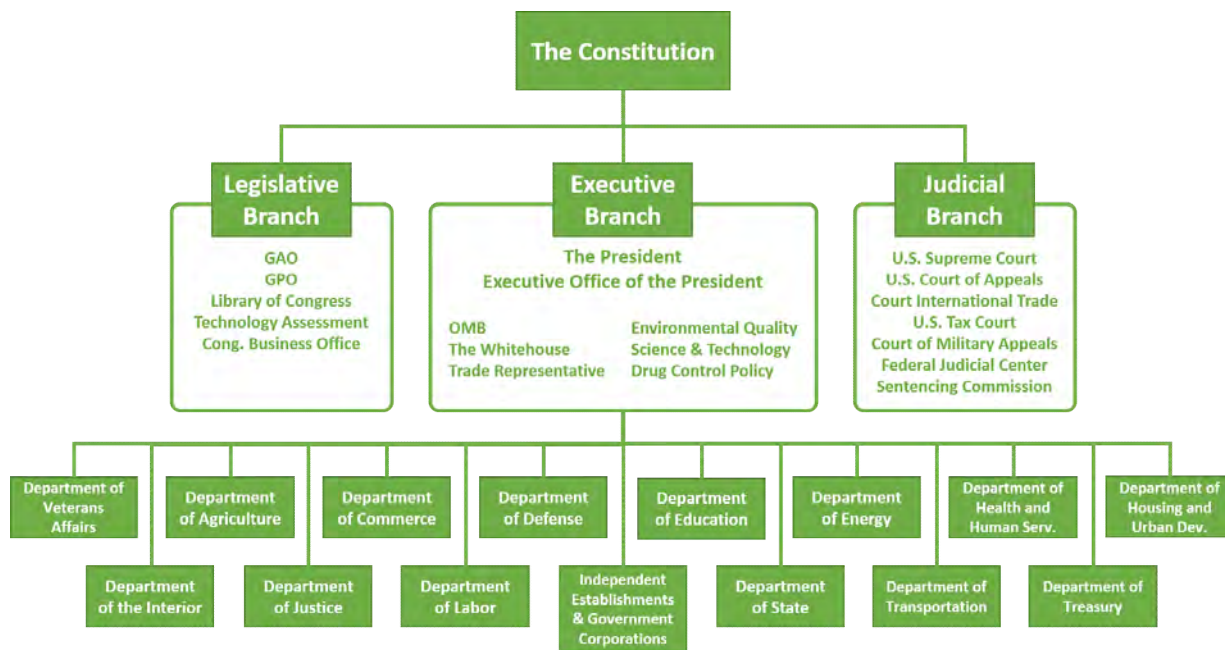
United States Branches of Government

4.4 Applicable Directives for NAF Procurement

DOD Directives and Instructions for NAF Procurement

DOD has issued specific guidelines for NAF procurement activity. DOD policy for contract actions using NAF includes the following directive and instruction:

DODI 4105.67

Subject: Nonappropriated Funds (NAF) Procurement Policy

Date: February 26, 2014 (*Incorporating Change 2, December 1, 2017*)

Purpose: This directive pertains to all organizational entities within DOD, referred to collectively as "DOD components" and serves to:

- Establish policy and assign responsibilities for procurement using NAF.

- Implement Title 10, United States Code, which authorizes DOD Nonappropriated Fund Instrumentalities (NAFIs) to enter into certain contracts and agreements with other Federal agencies and instrumentalities.

PDF **dodi-410567-dated-april-72016.pdf**
151.1 KB

4.5 U.S. Army Regulations for NAF Procurement

In addition to DOD guidelines, the DA, under DOD, has issued additional guidelines for NAF procurement. Both DOD and DA guidelines may be periodically revised as the need arises to consolidate, add, or modify information.

ⓘ NAF procurements for Family and MWR programs and activities for the U.S. Army follow the U.S. Army NAF regulation AR 215-4, Nonappropriated Fund Contracting.

5.1 Overview

United States Oce` of Government Ethics: https://www.oge.gov/

Both civilian and military employees of the Department of Defense (DOD) are required to become familiar with, and comply with, all provisions contained in the Joint Ethics Regulations (JER). Employees must also become familiar with the scope and authority for ocial`   activities for which they are responsible.

NAF employees whose duties include dealing with private industry hold positions of trust andL responsibility and must act accordingly. This lesson focuses on the JER guidelines that applyLmost directly to NAF contracting activities.

At the end of this lesson, you will be able to:

1 Dene`  the following terms as used in the JER: gifts and gratuities; conict` ofL interest; condential`  nancial` disclosure reports.

2 Apply the JER to performance of NAF procurement and contracting   activities.

5.2 What is the Joint Ethics Regulation?

The O ce of Government Ethics (OGE) issued [Regulation 5 CFR 2635](), titled **Standards of Conduct for Employees of the Executive Branch**.

The DOD created a supplement to the OGE regulations, [DOD Directive 5500.7-R](), the **Joint Ethics Regulations (JER)**. This regulation contains guidelines for ethics and standards of conduct that apply to every DOD employee, both civilian and military. The JER provides a single source of standards of ethical conduct and ethics guidance.

5.3 The Principles of Ethical Conduct

Because all contracting activities have the power to bind the Government, basic honesty of those involved with contracting must be combined with awareness of and adherence to the standards of ethics and conduct that are promuigated by the Government. The Principles of Ethical Conduct, according to the JER, can be summarized as:

- [ ] Loyalty to the Constitution, laws, and ethical principles above private gain.

- [ ] No conflicts of financial interests.

- [ ] No improper use of information to further private interests.

- [ ] No improper use of information to further private interests.

- [ ] No unauthorized commitments or promises.

- [ ] No use of public office for private gain.

The remaining Principles of Ethical Conduct can be summarized as:

- [ ] No use of public office for private gain.

- [ ] Impartiality; no preferential treatment.

- [ ] Conservation of Federal property.

- [ ] No outside employment/conflicts with official duties.

- [ ] Disclosure of waste, fraud, and abuse.

- [ ] Payment of all obligations, including taxes.

- [ ] Adherence to all equal opportunity laws and regulations.

- [ ] No acceptance or solicitation of gifts from prohibited sources.

- [ ] Avoidance of the appearance of impropriety.

5.4 Applying the JER to Procurement Functions

Family and MWR employees whose duties include dealing with private industry hold positions of trust and responsibility and must act accordingly. It is especially important for NAF employees to understand the JER guidelines that apply most directly to NAF contracting activities. These areas of the JER include the following:

Restrictions on the Acceptance of Gifts (JER Chapter 2)

What Are "Gifts and Gratuities?"

A gift, as referenced in the JER, is any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. This includes services, as well as training, transportation, local travel, lodgings, and meals.

With some exceptions, the JER prohibits government employees from asking for or accepting gifts from people who want to do business with the Fund, or those who have interests that may be signi. cantly affected by the Family and MWR official's position.

Restrictions on the Acceptance of Gifts
As a general rule, there are two ways an employee may accept something of value from an outside source:

- If the item is unsolicited, has a very low intrinsic value, and does not qualify as a "gift"

- If the item falls under one of the gift exceptions

Any employee who receives a gift that cannot be accepted under the ethics rules must do one of the following:

- **Return the item**. The item may be returned to the donor or the employee may pay the donor its fair market value.

- **Dispose of the item.** When it is not practical to return the item because it is perishable, the employee's supervisor or agency ethics official may direct the gift be given to an appropriate charity, shared within the office, or destroyed.

- **Pay for the item.** For entertainment, favors, services, benefits, or other intangible gifts, the recipient must pay the fair market value.

Avoidance of Conclicts of Interest (JER Chapter 5)

According to the National Contract Management Association (NCMA) Desktop Guide to Basic Contracting Terms, "conflict of interest" is defined as:

> *"...a term used in connection with public o. cials and fiduciaries and their relationship to matters of private interest or gain to them..."*

A simpler way of understanding a conflict of interest is to say that "a conflict of interest arises when an employee who holds a position of trust has a personal or financial interest that conflicts or appears to conflict with his or her official responsibility." There may be a conflict of interest if an employee finds that his or her job-related responsibilities could result in an outcome with special benefits to:

- The employee.

- The employee's family or friends.

- Organizations with which the employee may have a personal connection.

Completion of Con. dential Financial Disclosure Reports (JER Chapter 7)

Each agency designates positions whose duties may involve potential conflicts of interest. The confidential financial disclosure system, as identified in the JER, assists employees and their agencies in avoiding conflicts between official duties and private financial interests or affiliations. Those individuals identified as "confidential filers" generally have duties that are likely to affect non-Government entities.

All personnel in designated positions are required to complete the OGE Form 450 Confidential Financial Disclosure Report, within their first thirty days on the job.

6.1 Overview

The major categories of procurement used in government are Supplies, Construction, and Services. Due to the nature of Family and MWR activities, the most common Family and MWR procurements fall into the supplies, services, or construction categories. A Family and MWR Manager should consider the type of procurement needed when planning acquisitions for the activity.

At the end of this lesson, you will be able to:

1   Explain the difference between "supplies" and "services" procurement categories.

2   Define "resale supplies."

3   Differentiate between personal and non-personal services.

6.2 Supplies

Supplies include, but are not limited to, raw materials, components, intermediate assemblies, and end products. Supply contracts refer to items furnished by the contractor and related services required under the contract.

Resale Supplies

Resale supplies are products purchased for the act of selling again. Resale items generally include:

☐ **Consumable items**. These are products that lose their identity during use, as aLresult of the resale process, or by being consumed in the course of daily business.LConsumable items may include paper products, postage stamps, or airline tickets,Lamong other items.

☐ **Subsistence items.** These include all food and beverage items, and other resaleLitems that are classied   as edible or drinkable.

☐ **Other items.** These include all items that are to be resold, such as sporting goodsLfor pro shops, tickets for events, T-shirts, and automotive care products.

> ⓘ There is no restriction on requesting the purchase of resale items on a brand-name basis. The requesting activity is responsible for identifying the brand-name items for resale on the purchase request. Nonappropriated fund (NAF) contract award is generally made to the supplier who can furnish the desired brand-name items at the best price and within the time required.
>
> **Note that with a Brand-name items that there is a requirement of a brand-name justification.**

6.3 Standard Types of Services

Service contracts are contracts that directly engage the time and effort of a contractor whose primary purpose is to perform an identifiable task, rather than to furnish an end item of supply.

Non-personal Services

This includes contracts under which the persons rendering the services are not subject, either by the contract terms or by the manner of its administration, to the supervision and control usually prevailing in relationships between the Government and its employees. Examples of non-personal services would include disc jockeys and sports officials.

Personal Services

In general, NAF MWR is not authorized to procure for personal services. There is special exception for wait sta. for special events only.

This includes contracts that, by express terms or as administered, make the contractor personnel appear, in effect, to be Government employees. This can be a result of the contract terms or the manner of contract administration during performance. Contractor personnel are subject to the relatively continuous supervision and control of a Government officer or employee. An example of personal services could include a waiter or waitress hired for an event.

FY2001 Sampling of Family and MWR Procurement - Services

- 44.16%
- 21.78%
- 23.88%
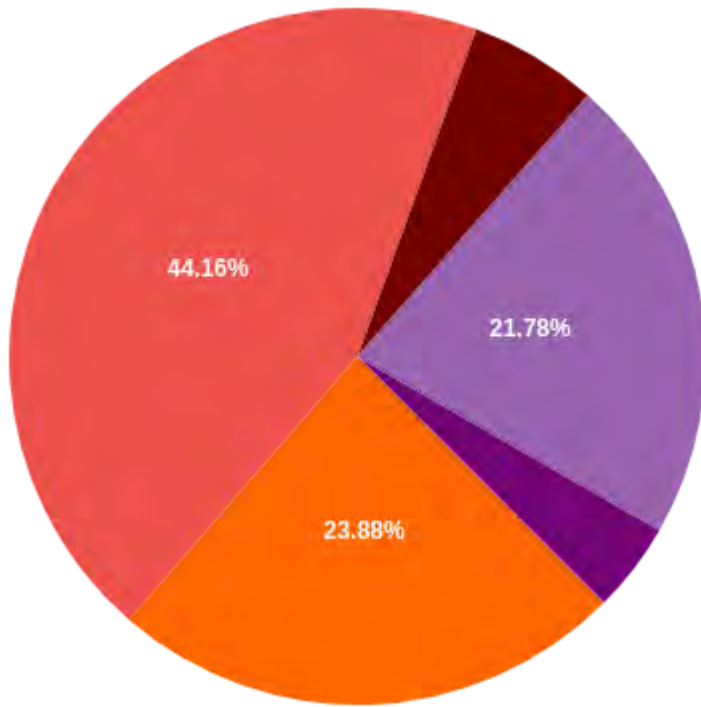
Legend:
- ■ Sports Activities and Events
- ■ General Entertainment
- ■ Laundry and Dry Cleaning
- ■ Cable / Pay TV
- ■ Sports Officials

6.4 Other Services

Special categories of contracting include: Concession contract (long and short term),Lmerchandise, vending, and amusement machines, consignment, entertainment/travelingLshows, services, insurance and IT. *Refer to the AR215-4 for more detail.*

Entertainment

This service can include entertainers and/or groups, and may, for example, be multipleLperformances contracted as a service through a talent agent. This service may also includeLmore than one entertainer or group covered under the same contract.

Amusement Companies and Traveling Shows

This type of service includes carnivals, circuses, rodeos, and similar amusements.

Consignment

This type of service includes tickets that are consigned to the NAFI (nonappropriated fundL instrumentality) who will pay for the tickets after they are sold.

7.1 Overview

After an acquisition requirement has been identified and specific actions or descriptions have been developed, the method of procurement must be decided. There are some procurement methods that can be applied by authorized Family and MWR Managers and staff without having to go through the contracting activity.

At the end of this lesson, you will be able to:

1 List the types of authorized (non-contracting) procurement officials.

2 Describe the procurement methods that authorized procurement officials may use.

3 Explain the procurement methods that must be applied by contracting officials..

7.2 Available Procurement Methods

APF and NAF dollars may be expended for Family and MWR acquisitions. ProcurementⳢmethodsLhave been established for authorized and/or approved items that are readilyLavailable, do not exceed individually-approved spending limits, and are not otherwiseLprohibited based on APF or NAF acquisition guidelines.

The primary methods of procurement available to authorized procurement ocials   for FamilyLand MWR programs are:

- ☐ Petty Cash
- ☐ Government purchase cards
- ☐ Government purchase card Convenience Checks
- ☐ BPA calls

Using Petty Cash

A petty cash fund is an amount of NAF money issued to an activity, in the charge of aLcustodian, to be used on a revolving basis for the payment of emergency, incidental, and non-repetitive expenses. Guidance for use of petty cash is found in Department of Defense (DOD)L7000.14-R and the Army Regulation (AR) 215-1. Individuals purchasing items for petty cashLreimbursement must have pre-approval from their supervisor.

While petty cash is readily available and may be the easiest to use for small purchases, it should not be the firrst choice for procurement. Petty cash funds are to be used for payment of incidental expenses for which payment by purchase card or check is not feasible.

Using Purchase Cards and Convenience Checks

Purchase cards are the recommended procurement method for supplies and services that falⱡ within established single purchase limits. The Government Purchase Card Program is a crediᵗ program developed for the U.S. Government. The Government Purchase Card is aₙ internationally accepted purchase card that enables the cardholder to make purchases under an established Delegation of Authority.

The Army NAF Purchase Card Program is the ". rst choice" method of procurement for a majority of Family and MWR activities. If a vendor or supplier will not accept payment via a purchase card, a Government Purchase Card check, also called a convenience check, may be issued.

Government Purchase Card convenience checks are limited and discouraged due to additional fees associated with their use and NAF does not bene t from the rebates that would be given when using the GPC.

The convenience check utilizes the same government purchase card program but requires a separate account number for tracking purposes. It is recommended to utilize the check method only when a vendor will not accept the credit card. The Government Purchase Card Convenience Check has a purchase limit of$3,000 and is governed by the same regulation as the Government Purchase Card

With the Government Purchase Card Program, Family and MWR activities have the opportunity to reduce paperwork, processing time, and costs by giving cardholders the flexibility to make purchases using the Government Purchase Card or the convenience check. For both APF and NAF, per Army Regulation Operating Procedures for the Government Purchase Card, requests to establish convenience check accounts must be justified in writing by the organization's commander/director and forwarded to the Level 4 A/OPC.

If approved, a delegation of procurement authority will be granted in writing by the Chief of the Contracting Office, for the maintenance and use of convenience checks. Required information must consist of the following:

- Reason for requesting checks

- Types of vendors checks will be written to

- Estimated dollar amount of checks intended to be written within a 12-month period

- Single and monthly purchase limits

- Check writer's complete name, office name, address, e-mail, phone/fax number

Cardholder General Procedures

When using a purchase card, the cardholder obligates the Government to pay for supplies and services. For that reason, all APF and NAF purchase card holders must receive training in proper procedures prior to using their cards. Cardholders are trained to ensure that:

- Funds are available prior to making purchases.

- A reasonable price is obtained by comparing the prices offered by other vendors for the same or similar item or service.

- All transactions made with the card/check are documented on a purchase log within the system of record for all credit card transactions.

Cardholder Responsibilities

Government Purchase Card cardholders are appointed. They are responsible for makingLpurchases using the purchase card and/or checks for ocial`   Family and MWR use only. InLaddition to safeguarding the purchase card, checks, and account numbers, the cardholder isLresponsible for:

- Making purchases and payment in accordance with agency/installation policies.

- Using approved sources.

- Ensuring that the established purchase limits are not exceeded.

- Ensuring payments for purchases are not split in order to stay within the single purchase limit. The single purchase limit for APF is $3,000; the single purchase limit for NAF is determined by the activity manager or card holders billing o.   cial and may not exceed a single purchase limit of $5,000.

Guidelines for Using the Government Purchase Card

When funds are available and proper procedures are followed, the purchase card is the recommended method for procuring supplies and services that are within the single purchase limit. Managers must also be aware of prohibited uses for the purchase card. The Government Purchase Card or checks shall not be used for the following:

Personal purchases

Cash advances

Long-term rental or lease of land or buildings

Purchase of major telephone services

Intentional use of the purchase card for other than official Government business is considered an attempt to commit fraud against the U.S. Government/NAFI. Such use may result in immediate cancellation of an individual's card and disciplinary action against the cardholder and the billing official. The cardholder shall be held personally liable to the Government/NAFI for any non-Government transactions.

Administrative Follow-up

Cardholders are responsible for coordinating with the billing official regarding procedures and follow-up administration. An online credit card banking system is available to assist in administering and managing Government Purchase Cards. Online credit card banking systems can be used for viewing, re-allocating, approving, and certifying all Government Purchase Card and Government Purchase Card Convenience Check transactions. Transactions in online can be viewed and managed, usually within 24 hours after the purchase.

The system's ability for on-line, one-day-after-transaction viewing should encourage maximum use of the Government Purchase Card, since the system provides increased management oversight of purchases. Implementation of online credit card banking systems should significantly increase prompt payment rebates due to a shorter payment turnaround time. Access to online credit card banking systems requires a user ID and password.

Using BPAs

Before the advent of the NAF purchase card, BPAs were the preferred purchase method when there was a need to make the same types of small purchases over and over from the same vendor or vendors. BPAs are still being used today and are established by the NAF Contracting office; however, the NAF purchase card has simplified administrative processes to the point that the card is the rst   choice for small purchases. BPAs are used primarily when vendors doL not want to take the NAF purchase card. Guidance on BPAs may be found in Chapter 4 of theL AR 215-4.

Steps for Performing BPA Calls

Once a BPA is established by the contracting oce,   a BPA Caller list is created to authorizeL individuals to initiate BPA calls for items to be procured using the following steps:

> The BPA caller contacts the vendor.

> The BPA caller rotates vendors.

> The BPA caller or requestor receives the requested goods and routes a copy of theL receiving document and Call Record to the Accounting office.

> The vendor submits an invoice(s) to the Accounting office.

> The Accounting office reconciles the invoice(s) and makes disbursement to the vendor.L

> The contracting officer periodically reviews BPA calls.

7.3 Procurement Officials

Appropriated fund (APF) and/or nonappropriated fund (NAF) acquisition management is a process used to obtain supplies or services needed to operate Family and MWR activities.

PETTY CASH AUTHORIZATION	GPC - PROGRAM COORDINATOR	GPC - BILLING OFFICIAL	GPC - CARD HOLDER	B

The amount of petty cash issued to an activity is generally based on:

- Budget projections.

- Historical information (how much has been used in the past).

The amount of a petty cash fund will not exceed one month's requirement. This fixed amount is advanced to an appointed individual in the activity. The appointed individual makes the payment and completes the appropriate NAF procurement form (Petty Cash Voucher, Department of the Army (DA) Form 1994, to evidence each petty cash transaction.)
Periodically, a summary is prepared and sent to the NAF Finance and Accounting Office. The petty cash fund must be reconciled at the end of each accounting month. After the reconciliation, the accounting office issues a check payable to the petty cash fund custodian to reimburse the petty cash fund, and charges each voucher to the appropriate expense account.
Use of the Government Purchase Card has all but replaced petty cash funds in NAF operations.

Government Purchase Card Authorization
The Agency/Organization Program Coordinator (A/OPC)

The A/OPC is responsible for the administration of the Army NAF purchase card program at the installation level. His or her responsibilities include:

- Acting as an appointing official for NAF purchase card holders.

- Issuing and destroying cards.

- Establishing and reviewing reports.

- Providing training and performance support.

- Maintaining proper span of control between billing officials and cardholders.

- Assisting in resolving delinquent accounts or billing disputes when required.

- Maintaining oversight and management of the cardholder/billing official accounts.

- Providing 100% inspection of billing official accounts annually.

Government Purchase Card Authorization
NAF Purchase Card Billing Officials.
Directors of Family and Morale, Welfare and Recreation (DFMWRs), Fund Managers, and/orL program managers may serve as billing ocials. The billing ocial is held accountable andL particularly liable for any illegal, improper, or incorrect payment processed by the NAFI as aL result of an in accurate or misleading certication. The billing ocial is responsible for:

- Recommending purchase card dollar limits to the A/OPC for cardholders under theirLpurview.

  Reviewing cardholder account statements for accuracy and completeness.LVerifying and

- reconciling cardholders' statements of accounts.

- Retaining paper or electronic copies of billing statements and maintaining all originalL supporting documentation.

  Serving as liaison to the NAF Finance and Accounting Oce.

- Informing the A/OPC regarding who will perform his/her BO duties in his/her absence,Lwhen required.

  Monitoring payments and reviewing balance information on the monthly statements toL ensure no delinquencies exist.

Government Purchase Card Authorization
NAF Purchase Card Holder

NAF purchase card holders are appointed by the A/OPC and are responsible for making purchases using the NAF purchase card in accordance with agency or installation policies. It is the responsibility of the NAF purchase card holder to:

- Ensure that he/she does not exceed the purchase limits established for his/her account.

- Stay within the single purchase limit and not perform split purchases.

- Maintain procurement documentation.

- Safeguard the purchase card.

- Be knowledgeable of program guidelines contained in Standard Operating Procedures for U.S. Army Nonappropriated Fund Instrumentalities.

Upon receipt of a purchase card, the cardholder must call the number shown on the sticker attached to the purchase card to activate the account. In order to activate the account. In order to activate the account, the cardholder will also need to know the single purchase limit assigned by his or her agency.

BPA Calls Authorization

The NAF contracting officer must determine the need for, prepare, and issue BPAs. The contracting officer must also appoint BPA callers who are authorized to place calls against the BPA. BPA callers are usually authorized to procure goods and services up to a maximum of $2,500per call.
BPA callers are appointed in writing by the contracting officer and are usually located in a Family and MWR activity. BPA callers are authorized to place calls against a specific BPA that has been established by the contracting officer with a particular vendor. BPA callers have the following primary responsibilities:

- Assign unique call numbers for each order placed

- Ensure that each item being ordered is authorized in the BPA

- Verify price(s) of item(s)Provide delivery instructions to the vendor

- Provide appropriate documentation to central accounting at the end of each billing cycle

7.4 When Does the Procurement Need to Go Through Contracting?

Family and MWR Managers need to be aware of their limitations with regard to procurementLand the circumstances in which the contracting activity must handle procurement functions.L Procurements that must be handled by the contracting oce   include:

Automated Data Processing (ADP) or Information Technology (IT) requirements.

☐

Procurement items that exceed the dollar threshold for Government PurchaseL Card and BPA limit procurements.

☐

Procurements requiring negotiations.

☐

For any construction over $2K.

☐

Services over $2.5K.

☐

Procurements that are subject to different Executive Orders, Trade Agreements, orL other Statutory requirements.

☐

For example, Child and Youth Services might require the services of a martial arts teacher to provide twice weekly Tae Kwon Do classes at the Youth Center during the school year, or a Club Manager might require new equipment for a recently renovated kitchen.

7.5 Procurement Contracting

Purchasing, renting, leasing, or otherwise obtaining supplies or services from non-federal sources is the process of procurement contracting, referred to simply as "contracting" in most agencies of the Government. The parties involved in a contract are generally free to obligate themselves for any purpose, with three primary restrictions:

- [ ] The contract must be legal.
- [ ] The contract must be possible.
- [ ] The parties involved must have the legal capacity to enter into a contract.

The procurement process is done either through simplied acquisition procedures or byLIformal contracting (also referred to as contracting by negotiation or invitations for bid).

Simplified Acquisitions

In general, simplied acquisitions are those items that are commercially available and have a value that does not exceed the regulatory guidance. This guidance varies somewhat between APF regulations and NAF regulations. In general, however, small purchase procedures are intended to reduce administrative costs and promote eciency and economy in contracting.

APF Simplified Acquisition Methods.

Procedures for simplied` acquisitions are identied` in the Federal Acquisition Regulation (FAR), Part 13. These procedures identify the Simplied` Acquisition Threshold (currently$150,000), which is the maximum dollar value of an acquisition that may use simplied` acquisition procedures.

NAF Simplified Acquisition Procedures.

Procedures for simplied` acquisition methods are identied` in the AR215-4, Chapter 3. The simplied` acquisition threshold is $100,000 for non-commercial items and $250,000 forcommercial items. A commercial item is a product or service (e.g., items, supplies, materials,

and components) sold or traded to the general public in the course of conducting normalLbusiness operations at established catalog or market prices. Construction is never considered aLcommercial item.

Formal Contracting Methods

It is important to note that in all branches of the Government, only specific individuals assigned the role of procurement/contracting official have the power to bind the Government. Family and MWR Activity Managers should work closely with these contracting individuals assigned to support their installation to plan for and acquire needed supplies and services.

Simplified Acquisition

Simplified Acquisition is a method of contracting that uses competitive bids, public opening of bids, and awarding of contracts to the lowest responsive and responsible bidder whose bid is most advantageous to the NAFI, considering price and price-related factors. Because sealed bidding does not include negotiation, it is not the preferred method of contracting for NAFIs, and may be used only when certain conditions exist. These conditions include:

- A reasonable expectation of receiving more than one bid.

- Fully developed, clear, and accurate specifications in the Performance Work Statement (PWS)/ Statement of Work (SOW).

- Price is the only evaluation factor.

- Simplified acquisition involves the issuance of an Invitations for Bid (IFB) through formal advertising.

Contracting by Negotiation

Contracting by negotiation is a method of contracting that encourages competition. It requires issuance of a Request for Proposal (RFP) to prospective contractors. Responses to the request are solicited, usually through formal advertising, and bargaining is done with offerors upon review of the solicitation responses. After negotiations and evaluation of a proposal, the contract can be awarded to the contractor that offers the best value.

> (i) In some cases, a sole-source acquisition may be proposed by an agency after soliciting and negotiating with only one source. Sole-source means that the vendor is the only source known to be able to perform a contract, or the one source among others that for justifiable reason is found to be most advantageous for the purpose of contract award. In most cases, justifying a procurement without obtaining full and open competition does not automatically permit contracting with a sole source. The appropriate APF or NAF contracting officer must also take many other factors into consideration. Sole Source must have a written justification and can only be approved by a Contracting Officer before an acquisition can be completed.