

Chapter 3530 - Contracts

3530 CONTRACTS

(REVISED 3/89)

Contract buying reduces the volume of repetitive work, permitting more care and consideration of the award of major purchases, thereby allowing each buyer to become more conversant with the material requirements of the operating departments. It permits a better scheduling of supplies, allowing the operating departments, particularly institutions, to better adjust their inventories. It also encourages better service on the part of vendors, because of the value of such statewide contracts.

As a result of an expanded and comprehensive standards program, it is possible to expand the term contract program since it can be predetermined what quality or specification of material will be accepted statewide.

Officers and employees purchasing contract items at retail prices will be personally liable for the difference between the retail and contract price except in verified emergencies which must be fully explained on the invoice covering the emergency.

To verify contract dollar volumes and to ensure accurate bid information is provided to all interested bidders, each agency using State Contractors must submit one copy of each contract order (STD. 65) to:

State Office of Procurement
P.O. Box 942804
Sacramento, CA 94204-0001

3531 STATE PRICE SCHEDULES

(REVISED 3/89)

State Price Schedules are established to permit agencies to obtain volume pricing on noncompetitive items and to order directly from vendors. Unlike contracts, use of State Price Schedules is not mandatory. If an agency determines that another brand or type of item would meet their needs at a lower price, it may either make a delegated purchase or submit a purchase estimate to the Office of Procurement, depending on the dollar amount involved. Before making a delegated purchase, the agency must notify the Office of Procurement's Research and Analysis Section, in writing, of their intention to do so. The request will be considered approved unless the Office of Procurement notifies the requesting agency to the contrary within 48 hours (two working days) of receiving the request. If the agency submits a purchase estimate to the Office of Procurement, an explanation of the circumstances should be included.

3532 MASTER SERVICE MAINTENANCE AND RENTAL AGREEMENTS

(REVISED 9/91)

Agreements negotiated by the Office of Procurement, Department of General Services, for the maintenance and rental of office machines are not mandatory for State agencies if they are able to secure better prices that may be due to their remote location or similar factor. Master Service Agreements issued by the Office of Procurement for photocopiers ensure that the guaranteed useful life of the equipment is adhered to, as contracted for in the original purchase order. Use of Master Rental Agreements for the rental of EDP equipment is subject to the provisions in SAM Section 5291. Terms and conditions of the agreement are included in the notice.

3533 NOTICES OF CONTRACTS, STATE PRICE SCHEDULES AND MASTER SERVICE AGREEMENTS

(RENUMBERED AND REVISED 2/71)

Notices of all statewide contracts, State Price Schedules, and Master Service Agreements will be mailed

directly to the departments concerned at the time the document is approved. Such notices will outline in detail the method for placing orders, the price, the terms and the conditions, and identifying the merchandise in such fashion that it will be possible for operating departments to write an auditable subpurchase order or standard agreements for rentals. At the beginning of each fiscal quarter, the Office of Procurement, Department of General Services, will issue a consolidated list of all current notices, schematically arranged by commodity groups (Quarterly Check List of Effective Contracts). This checklist is sent to all agencies by the Office of Procurement.

3535 MATERIALS MANAGEMENT AND SUPPLIES WAREHOUSING (REVISED 9/91)

The Director of the Department of General Services has initiated a statewide program to establish effective standards and policies for all materials management functions including reduction of expendable goods inventories which are maintained in uneconomically large quantities.

This program is being administered by the Department of General Services, Office of Procurement, within the framework of the Statewide Materials Management System or the Purchasing Information Network (PIN). The program started in November 1977 and will continue until all major agencies and warehousing facilities are participating.

The Office of Procurement is responsible for establishing effective purchase methods for expendable items which provide a means to reduce the quantity and type of expendable items in State inventories. The Office of Procurement shall also recommend policies and procedures to reduce the State's expendable inventories investment, review agency materials management practices, recommend to agencies actions to achieve more effective materials management, and monitor and report on the progress of agency programs.

Agency owned expendable goods inventories will continue to be managed by the owning agency and not by the Department of General Services. Inventory control systems used throughout the State will be standardized whenever possible.

Basic statewide inventory management policy under which all agencies will operate is as follows:

Funds used for the purchase of expendable goods inventories must be clearly identified in the support documents which are prepared to justify agency's respective portion of the Governor's Budget. See SAM Section 6120. The information may be contained in the Schedule 2 (Line Item Budget) or Schedule 11 (Preparation of Supplementary Schedule of Operating Expenses). Other documentation may suffice, but funds used for the purchase of expendable goods must be clearly identified. This information will be made available to the Department of General Services, Office of Procurement, upon request by that entity.

The Department of General Services, Office of Procurement, is responsible for establishing purchasing, warehousing, inventory control, and distribution methods which will minimize the State's need for the maintenance of supplies, warehouses, and inventories.

The Department of General Services contracts with suppliers to deliver some materials directly to the point of use for State agencies. Other materials which require quality assurance testing or which, through volume purchasing, can be landed at one point and redistributed at a savings to the State, are purchased and redistributed by the Office of Procurement, Material Services.

The Office of Procurement, Material Services, is the central redistribution warehousing organization. Departments or agencies may maintain continuing inventories of supply items available from Material Services only at or near the point of use. Departments may not maintain redistribution warehouses to resupply point of use facilities unless authorized by the Department of General Services, Deputy Director, Office of Procurement.

State agencies must maintain unit stock records and conduct annual physical inventories if they operate warehouses which aggregately meet any one of the following criteria:

- Gross floor space exceeding 4,000 sq. ft.
- Average annual inventory investment in expendable goods exceeding \$50,000
- Annual issues of expendable goods exceeding \$100,000
- Expendable goods inventory consisting of 400 or more stock items

Expendable items will be maintained in continuing inventory only if they are:

- Required for emergency needs involving public health, safety, or welfare
- Not readily available from supplier inventories
- Stable items with high demand and represent the low net cost purchase option

Agency inventories and operating costs generated by the continuing maintenance of such inventories shall be no greater than is actually required or economically justified. Inventories will be subject to periodic audit by Department of General Services or other authorized audit units to assure that individual agency managers have regularly and effectively maintained such inventories at the lowest practical level.

Agencies shall, within the general framework of this policy, develop and publish internal policies and procedures which must contain at least the following:

- Specific assignment of management responsibility for effective materials management at both agency-wide level and within each organizational unit that maintains continuing inventories of expendable goods.
- Policies and procedures governing the size and scope of continuing inventory investment, standards for utilization of storage space and review of materials management program effectiveness.

3536 STORAGE OF OFFICE EQUIPMENT

(REVISED 9/91)

New office equipment should be shipped directly to the point-of-use by the vendor whenever possible. New equipment may not be warehoused for more than 30 days under any circumstances.

A department may store a maximum of five complements of office equipment at any facility they lease or own. A complement of office equipment consists of one desk, one chair, one work table, one credenza, one bookcase, one typewriter, and one calculator.

Departments may store a maximum of 100 complements of used office equipment at the Department of General Services, Material Services Warehouses. These complements may be stored at Material Services only if they are required for emergency needs involving public health, safety, or welfare and are not readily available from supplier inventories.

Departments must state in writing why they need to store used office equipment, how many complements will be stored, and how long it will be stored. This statement must be filed with the Materials Management Unit, Office of Procurement, Department of General Services. Exceptions to these guidelines must be approved by the Department of General Services, Deputy Director, Office of Procurement.
