

CHAPTER 4

Established Sources in the Order of Priority Set by Regulation

This Chapter:

- " Indicates the sequence to be followed in deciding which source of supply to use (Section 4A)

Presents the major considerations on which both the preference for using established sources and the required order of priority are based (Section 4B)

Introduces the factors to be taken into account in determining whether an established source must be used (Section 4B)

Cross-References:

Chapters 5, 6, and 12 address individual established sources, presenting procedures for finding out what items and services are available and for placing orders.

Appendix III presents "distinctive items" that must be acquired from special sources, through unique procedures, or with other special handling.

SECTION 4A

POLICY AND SEQUENCE TO BE FOLLOWED IN DETERMINING APPROPRIATE SOURCE OF SUPPLY

Having carefully reviewed the requisition contents, the Purchasing Agent must determine the proper source of supply for the goods or services to be procured. *The proper source is one which will provide what is needed in a timely manner consistent with the overall efficiency of the operation and requirements established by regulation and internal directive.* In some cases, that will mean going to commercial sources and deciding which offers the best deal. But before that step can be taken, it is necessary to see if use of an established source is mandatory and to determine whether that source can meet the activity's specific requirements.

Purchasing Agents must consider sources of supply in an order of priority set by government regulations. This chapter presents the order of priority to be followed, explains the policy considerations that shape it, and outlines factors to be considered in selecting the proper source for a given requirement.

The chart on page 4-6 summarizes the priorities for use which are stated in FAR 8.001. Basically, this sequence has evolved in part due to statutory requirements and in part as a common sense arrangement of available sources which reflects relative economy to the buyer and efficiency for the government acquisition process as a whole.

This section provides an overview of available classes of sources and presents grounds for giving some kinds of sources priority over others.

CLASSIFICATION OF SOURCES IN GENERAL ORDER OF PRECEDENCE

Available sources for personal property (referred to in this handbook as "goods", "supplies", or "items"), and nonpersonal services ("services") can be classified in four broad groups and arranged in the general order of priority that follows:

1. Established government sources;
2. Established commercial sources;
3. Open market acquisitions under the simplified acquisition threshold; and
4. Open market acquisitions over the simplified acquisition threshold.

Generally, if a requirement can be met through an established government source, that source should be used. Established commercial sources and the two levels of open-market (commercial) sources are at successively lower levels of priority.

ESTABLISHED SOURCES, GOVERNMENT AND COMMERCIAL

Established sources of supply, both government and commercial, are often the least costly and most efficient means of obtaining what is needed. For example, when excess property from one government agency or department can provide what another agency needs, it can often be obtained by paying transportation and handling charges only. Savings also occur when items are stocked (maintained in inventory) by department-wide or local facilities or by the General Services Administration (GSA) because the items are purchased in sufficient quantities to warrant a price discount. In addition, government agencies can save by ordering from established commercial sources--such as Federal Supply Schedule contractors and others--with whom GSA, the agency, or an activity has made arrangements to allow ordering at a set price for a given period of time. Thus, ordering from established sources often saves funds that can be used to accomplish more program and project objectives.

Certain socioeconomic programs are also carried out through centralized acquisition policies. Federal prisons and workshops for the blind and other severely disabled people offer useful supplies and services. Activities are required to order from these sources when what is offered meets their needs--not only to economize through volume purchasing but to support the rehabilitation programs of the Federal government.

In sum, the established government sources of supply are based on purchasing items in bulk and holding them in stock, while the established commercial sources are based on arrangements under which the government may order as needed. In most cases, the possibility of procuring from a government source must be exhausted before acquisition from a commercial source can be made. The policies that apply to the use of each established government source are discussed in Chapter 5 and those policies which apply to the use of established commercial sources are discussed in Chapter 6 (Ordering from Federal Supply Schedules) and Chapter 12 (Obtaining FIP Resources).

PRIORITIES FOR SUPPLIES AND SERVICES

The priorities chart in Exhibit 4A(i) contains separate orders of precedence for supplies and services other than FIP resources (see Chapter 12). The key difference is that, in the case of supplies, ordering from UNICOR (the trade name for Federal Prison Industries) takes precedence over ordering from the Committee for Purchase from People Who Are Blind or Severely Disabled; in the case of services, that priority is reversed. Note that the list does not include certain specialized sources such as the Government Printing Office. These established government sources are discussed in Chapter 5.

Role of GSA

The central buyer for the government is the GSA. GSA is in charge of the National Supply System which includes the Defense Logistics Agency (DLA) and the Department of Veterans Affairs (VA). The National Supply System provides a single, integrated, government-wide vehicle for the acquisition and supply of commercial items commonly used by agencies of the

Federal Government.

Primary responsibility for managing the system is held by the GSA's Federal Supply Service. The Federal Supply Service is the primary supplier of goods and nonpersonal services for Federal civilian agencies. It is responsible for procuring a wide range of common-use items. The aim is to offer the best possible choice of goods to meet the agencies' operating needs.

Overall, the Federal Supply Service has four programs through which several billion dollars worth of goods and services are provided to government agencies annually:

Stock Program (Items are listed in the GSA Supply Catalog);

Customer Supply Centers (common office and administrative supplies made available by phone, walk-in, or mail orders basis); and

Federal Supply Schedule Program (Commercial firms provide supplies and services at stated prices for given periods); and

Special Order Program (This Program makes consolidated and definite quantity purchases of items needed government-wide and arranges for delivery direct to the ordering agencies).

OPEN-MARKET PURCHASING FOR ACQUISITIONS UNDER THE SIMPLIFIED ACQUISITION THRESHOLD

Obtaining what is needed through purchases from open-market commercial sources is permitted only after all established sources of supply have been considered and (1) it is found that none can provide the requirement; (2) or none can provide it within the time constraints; (3) an exemption is applicable and has been documented; or, (4) a waiver or clearance has been obtained.

Requirements, procedures, and methods for open-market simplified acquisitions are covered in detail in Chapters 7 and 8. See Chapter 6 for exceptions to the mandatory use of certain Federal Supply Schedules.

OPEN-MARKET PURCHASING FOR ACQUISITIONS ABOVE THE SIMPLIFIED ACQUISITION THRESHOLD

If what is needed cannot be provided by an established source and the expected cost is greater than the simplified acquisition threshold, the requisition and all supporting information must be reviewed for completeness and forwarded to the appropriate Area PAO for handling.

As noted in Section A of Chapter 3, Purchasing Agents can play a valuable role in the initiation of these larger dollar-volume acquisitions. Their knowledge and experience contribute to advance planning for the use of appropriated funds. In addition, they can aid program personnel

in preparing requisitions at all dollar levels and can often provide liaison between field locations and contracting offices.

REQUIREMENTS FOR SPECIAL HANDLING OF "DISTINCTIVE ITEMS"

It is important to note that there are many items (for example, office furniture and equipment, foreign-made items, automatic data processing, and drugs) for which special approval or handling is required. Appendix III contains a chart which lists these items and the laws and regulations which govern acquisition of them.

Exhibit 4A(i)
Priorities for the Use of Sources-Supplies and Services

Supplies

1. Activity inventory
2. Excess property of other agencies or departments, as listed in GSA bulletins and catalogs
3. Federal Prison Industries (UNICOR) Catalog, Schedule of Products Made in Federal Penal and Correctional Institutions
4. Procurement Lists of the Committee for Purchase From People Who Are Blind or Severely Disabled
5. GSA Stock Program and other wholesale suppliers such as DLA, VA, and Military Inventory Control Points
6. Mandatory Federal Supply Schedules
7. Optional Use Federal Supply Schedules
8. Open-market commercial suppliers (including educational and nonprofit institutions)

Services

1. Procurement Lists of the Committee From People Who Are Blind or Severely Disabled
2. Mandatory Federal Supply Schedules and Mandatory GSA term contracts for personal property rehabilitation
3. Optional Federal Supply Schedules and optional use GSA term contracts for personal property rehabilitation
4. UNICOR Catalog, Schedule of Products Made in Federal Penal and Correctional Institutions or other commercial sources (including educational and nonprofit institutions) (UNICOR does not have priority over commercial sources in the acquisition of services).

SECTION 4B

FACTORS TO BE CONSIDERED IN DETERMINING WHETHER AN ESTABLISHED SOURCE MUST BE USED

In determining whether an established source can be used and, if so, which source has priority, acquisition personnel must take into account several factors which underlie or augment the order of priority prescribed by regulation. These considerations are discussed in this section.

DOES THE ITEM SERVE THE GOVERNMENT'S NEEDS?

A basic yardstick for determining whether or not an established source should be used is whether or not an item available from the source will fulfill the needs of the requisitioning activity.

It is important to remember that the need to be met must be basic and fundamental to accomplishing the intended task. For example, if what is needed is an audio cassette recorder and such a recorder is available from a Federal Supply Schedule contractor, the item should be acquired from the contractor. The requisitioner might like to have a similar recorder with a deluxe carrying case that is available only from an open-market commercial source. But acquisition personnel are not authorized to buy the deluxe item. The carrying case is not basic to the need, which is to record and play back. For fundamental purposes, the Supply Schedule item will suffice.

IS USE OF THE SOURCE MANDATORY OR OPTIONAL?

In general, use of an established government source is mandatory if what is available serves the need, as discussed above. For any given acquisition, however, each source must be investigated to determine whether the mandatory requirement applies in the particular situation. Even where a source is mandatory, circumstances may dictate that it not be used.

Essentially, there are two sets of circumstances in which a mandatory source need not be used:

1. Use of the source is ordinarily mandatory, but the regulations governing the source contain an exception that applies to the activity or to its particular requirement.
2. Use of the source is ordinarily mandatory and no exception applies; however, the activity obtains a waiver from the source, on grounds that its specific need cannot be met by a similar item available from the mandatory source.

ARE THERE APPLICABLE EXCEPTIONS TO MANDATORY USE?

It is necessary to determine whether a given source is intended for filling a particular requirement. In using a Federal Supply Schedule, for example, one or more of six exceptions may apply:

1. Delivery is urgent.
2. Dollar value is below the schedule's minimum limitation.
3. Dollar value is above the schedule's maximum limitation.
4. Receiving point is outside the geographic area covered.
5. Purchase of an identical item from another source at a lower price.
6. USDA is not designated as a mandatory user in the schedule.

These exceptions are discussed in Chapters 5 and 6. If an exception applies, the source need not be used even if it initially appeared to be mandatory.

IS A WAIVER REQUIRED?

Even though a requirement may fall within the scope of a mandatory source of supply, the Purchasing Agent may determine that the items available from that source will not meet the need. However, the mandatory source cannot simply be ignored; instead, for example, FAR 8.404-3 requires that the Purchasing Agent obtain a waiver from use of mandatory Federal Supply Schedules prior to making the purchase from a lower priority source. A waiver is a request which includes justification to show that the item from the mandatory source will not perform as required. A waiver is not required for a justified urgent delivery since, as discussed above, "urgency" would be an exception.

A waiver will not be granted simply because the item has a different brand name or differs in nonfunctional ways from the item desired by the requisitioner, neither will a waiver be granted automatically because the mandatory source is more expensive, price alone is not adequate justification for granting of a waiver.

The coverage of established government and commercial sources in Chapters 5 and 6 respectively includes discussion of whether use of a source is mandatory or optional and outlines procedures for obtaining waivers.

DOES THE ACQUISITION AFFORD AN OPPORTUNITY TO IMPLEMENT SOCIAL AND ECONOMIC POLICY?

This question is discussed in Chapter 9. It should be noted here that when an item from a mandatory source will meet the need, that source must be used rather than to make an open-market purchase in support of a socioeconomic policy (FAR 13.003(b)).

THE SOURCE OF SUPPLY DECISION

Following an initial review of the requisition, the various sources of supply must be analyzed in order to determine how to fulfill the requirement most efficiently consistent with the priorities established by the FAR. The "Sources of Supply Decision Chart" (Exhibit 4B(i)) has been developed to assist in this analysis. The chart is arranged in the specified order of priority. The "Required Use" column indicates whether or not the source is mandatory. The "Exemptions" column lists the conditions under which there is an exception to the mandatory requirements. A "Reference" column on the Chart identifies applicable government regulations and to the chapter of the Manual which provides comprehensive discussion and specific guidance.

Exhibit 4B(i)
Sources Of Supply Decision Chart

Sources of Supply in Order of Precedence	Description	Required Use	Exemptions	Reference*
Established Government Sources 1. ARS Stocking Facilities	Commonly used items including hardware, office supplies, etc.	Mandatory. If facility stocks item needed, preferred to all other sources except excess personal property.	When item is needed immediately and is not available from ARS Facility.	Chapter 5 A, FAM Area Instructions
2. USDA Central Supply Branch, OO (Including Consolidated Forms and Publications Distribution Center (CFPD))	Commonly used office supplies and forms. Requisition supplies on AD-14, Request for Supplies, Equipment, or Service. Forms and Publications at CFPDC.	Mandatory for forms. Use by other than Washington Metropolitan Area for supplies is prohibited. Non-Washington activities should not order forms from CFPDC that are available from GSA.	Outside Washington Metropolitan Area, except for forms not otherwise stocked by GSA or Area Facility.	Chapter 5A, FAM, AGPMR 104-55.5 Dept. Forms Manual DM 3020-001
3. Excess Personal Property	All types of personal property from office furniture to scientific equipment. Orders are placed by forwarding AD-700 to the appropriate Property Management Office or Equipment Review Committee.	Mandatory in lieu of procurement of new property whenever practicable.	1) When unreasonably expensive to repair to needed condition. 2) When transportation costs are excessive in view of value of property.	Chapter 5B, FAM FPMR 101-26.101 FPMR 101-43.3 AGPMR 104-4.315 FAR 8.001
4. Federal Prison Industries, UNICOR	Various items, such as textiles, furniture, shoes, signs, etc.	Mandatory. However, if UNICOR items that will meet your needs are obtainable from GSA sources, you must use the GSA source.	1) For purchase of less than carload lots of certain common-use items when ordered from the GSA Supply Catalog. 2) When immediate delivery or performance is required.	Chapter 5 C, FAM Schedule of Products made in Federal Penal and Correctional Institutions FPMR 101-26.702 FAR 8.6

Established Sources in the Order of Priority Set by Regulation

Sources of Supply in Order of Precedence	Description	Required Use	Exemptions	Reference*
			3) When suitable surplus, excess, or used property is available. 4) When acquired and used outside the United States. 5) When orders are for listed items amounting to \$25 or less that require delivery within 10 days.	
5. Products made by nonprofit agencies employing people who are blind or severely disabled	Items such as brooms, brushes, calendar pads, decalomania, etc.	Mandatory. However, if similar items that will meet your needs are obtainable from GSA sources or Federal Prison Industries, you must use those sources for supplies. Mandatory unless a purchase exception is granted.	1) When the non-profit agency cannot furnish a commodity or service within the period specified, and the commodity or service is available from commercial sources in the required quantity at an earlier time than it is available from the workshop(s). 2) When the quantity involved is not sufficient for economical production by the workshop(s). In either case, you must obtain an exception in writing. Also, when a purchase exception is granted under (1) above, purchase actions must be taken within 15 days following the date of the purchase exception and a copy of any solicitation must be furnished to the appropriate	Chapter 5D, FAM Procurement List of the Committee for Purchase from the People who are Blind or Severely Disabled FPMR 101-26.701 FAR 8.7

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Sources of Supply in Order of Precedence	Description	Required Use	Exemptions	Reference*
			central nonprofit agency at the time it is issued.	
6a. General Services Administration (GSA)	GSA has the responsibility as a matter of law to procure and/or supply items that are commonly used throughout the Federal Government. There are several GSA supply programs that you need to know about. Each is described below.	As a general rule, if what you need is available from one of the GSA sources listed below, you are <i>required</i> to use that source.	<p><i>Exemptions</i> to the use of GSA are limited to the special circumstances that are described next to each supply program covered in this listing.</p> <p><i>Waivers</i> must be requested whenever an agency required to use GSA stock or Federal Supply Schedule Items determines such items will not meet their needs. Procedures for obtaining a waiver are covered in FPMR 101-26.100-2. Each waiver request submitted to GSA must be in writing and supported by a considerable amount of detailed information. A waiver is not required, however, if an exemption to the use of a GSA supply source exists.</p>	Chapter 5E, FAM GSA Supply Catalog FPMR Parts 101-25 and 101-26 NFC Procedures Manual , Title II, Ch. 4
6b. GSA Customer Supply Center	Office and Administrative supplies. Also common janitorial supplies and some tools.	Orders are placed by phone, walk in, or mail order. Customer charge plates are accepted.	Same as Self-Service Stores.	GSA Supply Catalog
7a. Defense Logistics Agency Supply Centers	Similar to GSA Catalog Items from 167 Federal Supply Classes managed by Defense Supply Classes. Ordering is similar to GSA stock items.	Mandatory	Same as for GSA stock items	Chapter 5F, FAM FPMR 101-26.6 GSA Supply Catalog NFC Procedures Manual, Title II

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Sources of Supply in Order of Precedence	Description	Required Use	Exemptions	Reference*
7b. DOD Contract Bulletin	DOD has many contracts with commercial firms for fuels, lubricants, and petrochemicals.	Mandatory. All requirements for lubricating oil, gasoline, fuel oil, kerosenes, and solvents covered by the Bulletin	1) Maximum single order less than minimum under contract. 2) Containers are smaller than those under contract.	Chapter 5F, FAM Oil Contract Bulletins FPMR 101-26.602
8. Government Printing Office & Regional Printing Procurement Offices	All items printed and all printing equipment acquired shall be in accordance with the Government Printing and Binding Regulations. Requisitions shall be submitted to the appropriate procurement officer, unless otherwise authorized.	Mandatory, if printing is within terms of Joint Committee on Printing regulation.	1) Copying and duplicating as defined in the Government Printing and Binding Regulations, Title I, Sec. 2-1. 2) Printing less than \$1,000. 3) Equipment as listed in Government Printing and Binding Regulations, Title II.	FAR 8.8 Chapter 5 G, FAM DR 1420-001, DR 14010-001 AGAR 408.8 AD-78 SF-1 GPO Catalog and Price List Regulations of the Joint Committee on Printing and Binding
9. Other Government Agencies	Under Section 601 of the Economy Act, any agency may place orders with any other agency department or bureau for supplies or services that the agency may be equipped to supply.	Acquisition of medicines, chemicals, etc. Use where in the best interest of the Government.	Where work or services are more conveniently or cheaply provided by private sources or where other sources are mandatory.	FAR 17.5 AGAR 417.50 NFC Procedures Manual, Title II, Ch. 6, Sec. 6.2

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Sources of Supply in Order of Precedence	Description	Required Use	Exemptions	Reference*
<p><i>Established Commercial Sources</i></p> <p>1. ARS Indefinite Delivery Contracts</p>	ARS may make contracts with vendors to supply certain items or services for a stated price for a certain period.	Chapter 11, Field Acquisition (FA) Manual	Chapter 11, FA Manual	Chapter 11, FAM
2. USDA Departmental Contracts	The Office of Operations awards indefinite delivery contracts for services in high demand in USDA but not covered by FSS.	Chapter 11, FA Manual	Chapter 11, FA Manual	Chapter 11, FAM Departmental Notice (Both Indefinite Delivery Contracts and BPA s
3. Other Government Contracts	Orders may be placed under the contracts of other Government agencies as they may agree and when such action would be in the best interest of the Government.	Optional		Chapter 11, FAM
4. Federal Supply Schedule Contracts	<p>A wide variety of commodities and services. Supply Schedules are lists of items for which GSA awarded contracts to commercial sources providing for delivery to Federal agencies based on delivery orders placed within the terms of each contract. Over six million types of goods and services are listed.</p> <p>There are two kinds of Supply Schedule con</p>	<p>Many schedules are optional or nonmandatory. ARS must use mandatory schedules unless the schedule in question shows ARS as a non-mandatory user, ARS qualifies for an exception, or ARS obtains a waiver from GSA.</p> <p>If similar items are obtainable from both GSA Stock and Federal Supply Schedule contracts, use lowest cost item</p>	<p>1) When delivery period offered in Supply Schedule won t meet your needs. However, contractors are often able to do better on delivery, so you should check and document (FAR 8.404-1(a).</p> <p>2) If your requirement in quantity or dollar amount is above or below that which a contractor is not required to accept on order. Even if it is below the limitation, you</p>	Chapter 6, FAM GSA Supply Catalog FAR 8.4

Established Sources in the Order of Priority Set by Regulation

Sources of Supply in Order of Precedence	Description	Required Use	Exemptions	Reference*
	tracts: competitive (single) award and multiple-award. Competitive contracts resulting in supplier being listed in the Schedule for a particular item. With multiple-award, contracts are made with more than one supplier for comparable items at either the same or different prices.	that will serve your needs. Use competitive (single) award contracts in preference to contracts listed on the multiple-award Schedule. Each purchase over \$1000 per line item must be made at lowest available price unless higher price items can be justified. See FAR 8.405-1.	should contact the contractor. He may provide you with the required items. 3) Exemptions are provided in FAR 8.404(c)(3).	
<i>Open-Market Purchasing for Acquisitions Under \$100,000</i>	A simplified method of acquisition used to obtain the entire range of supplies and services available from commercial and other non-Government sources. When following small purchase procedures, you must--as a general rule--obtain competition, award purchase orders to the least expensive source, negotiate with vendors, and document the file.	Procurement transactions \$100,000 and below where no Government source of supply can meet the need. Although the Federal Acquisition Regulations permit simplified acquisition procedures up to \$100,000, authority has been delegated in lesser amounts to various levels in the field.	When this approach is used, the Federal Acquisition Regulations apply. Those regulations set minimum requirements pertaining to competition, pricing, and documentation for which there is no exemption. However, particular programs restrict competition by making set-asides to small business.	Chapters 7 and 8, FAM FAR Part 13, AGAR Part 413, NFC Procedures Manual, Title II, Ch. 5, Sec. 5.1, FAR Part 19
<i>Open-Market Contracting for Acquisitions Above \$100,000</i>	The acquisition from private sources of property and services that cost more than \$100,000. You may use this method only if you have acquisition contracting authority, and you must follow all statutory and regulatory requirements.	All acquisitions where no Government source is available and cost is greater than 100,000	Acquisitions of research under the specific authorities granted to ARS.	Chapter 7, FAM FAR (All) AGAR (All)

*See also the specific references in the Distinctive Items Reference Chart, Appendix III.

AGPMR Agriculture Property Management Regulation
AGAR Agriculture Acquisition Regulation

DR Departmental Regulation
Comp. Gen. Comptroller General Decision
FPMR Federal Property Management Regulation
FAR Federal Acquisition Regulation