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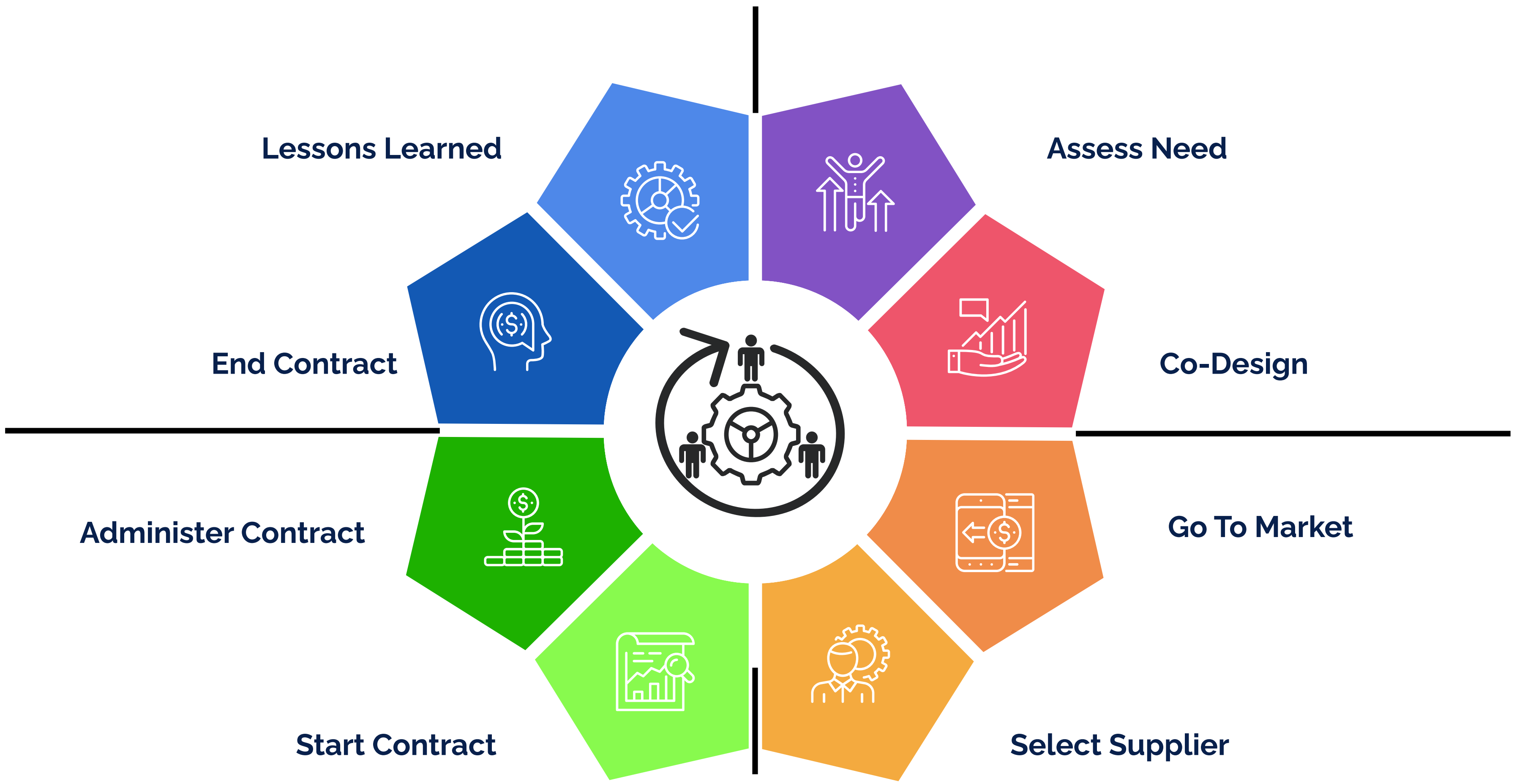
(A CERTIFICATION COURSE FOR PROFESSIONALS)

Project Procurement

The Procurement Cycle



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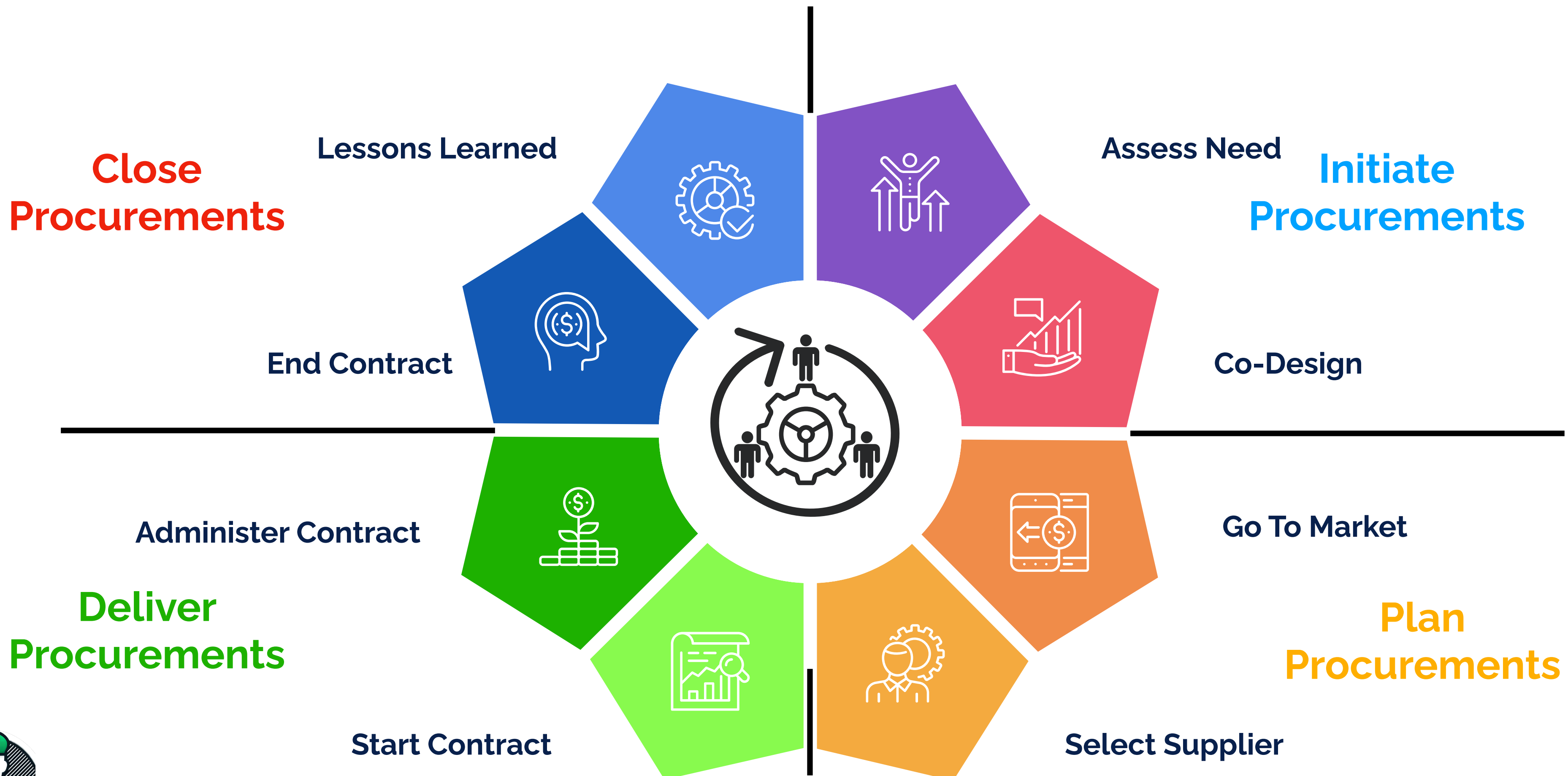
The Procurement Cycle



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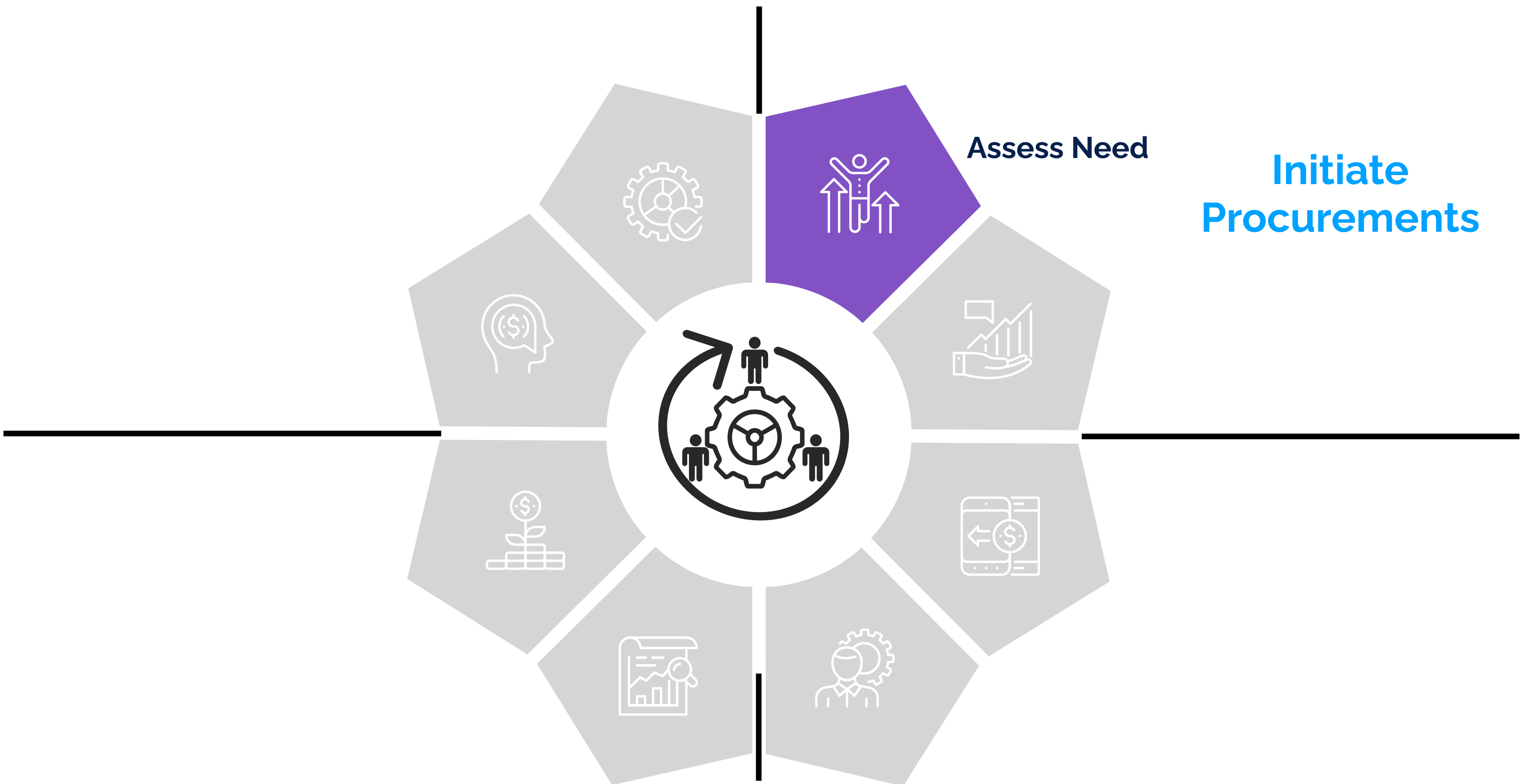
The Procurement Cycle



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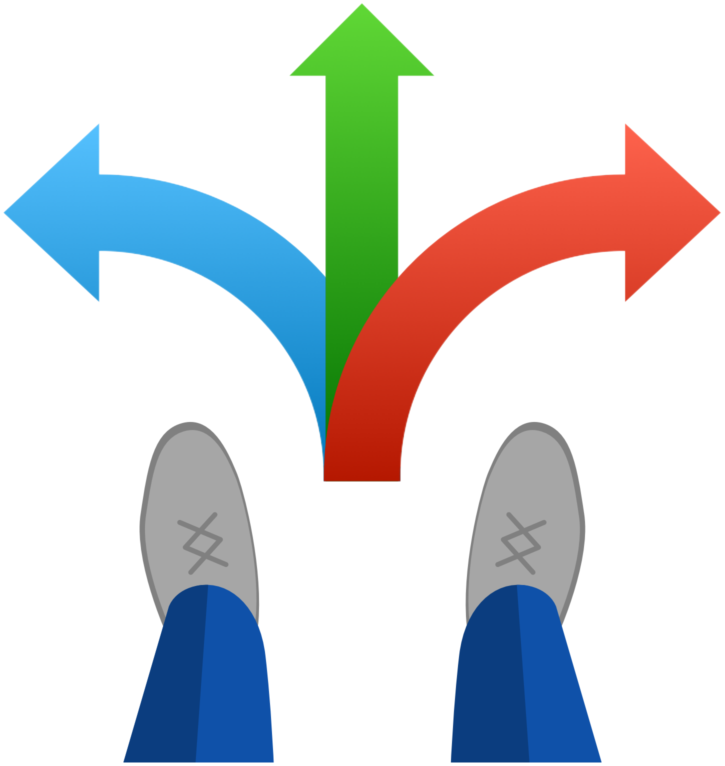
Needs Assessment

This is the 'make or buy' business case.



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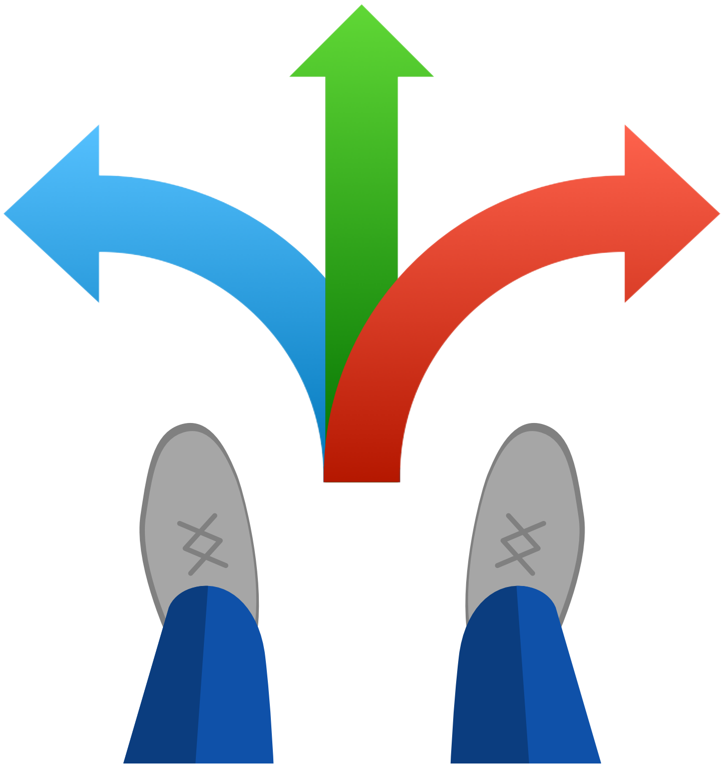
Needs Assessment

Option 0 – ensuring the project **needs** these goods or services?

Option 1 – what are the costs / impacts / risks of **doing it ourselves**?

Option 2 – what are the costs / impacts / risks of **using someone else**?



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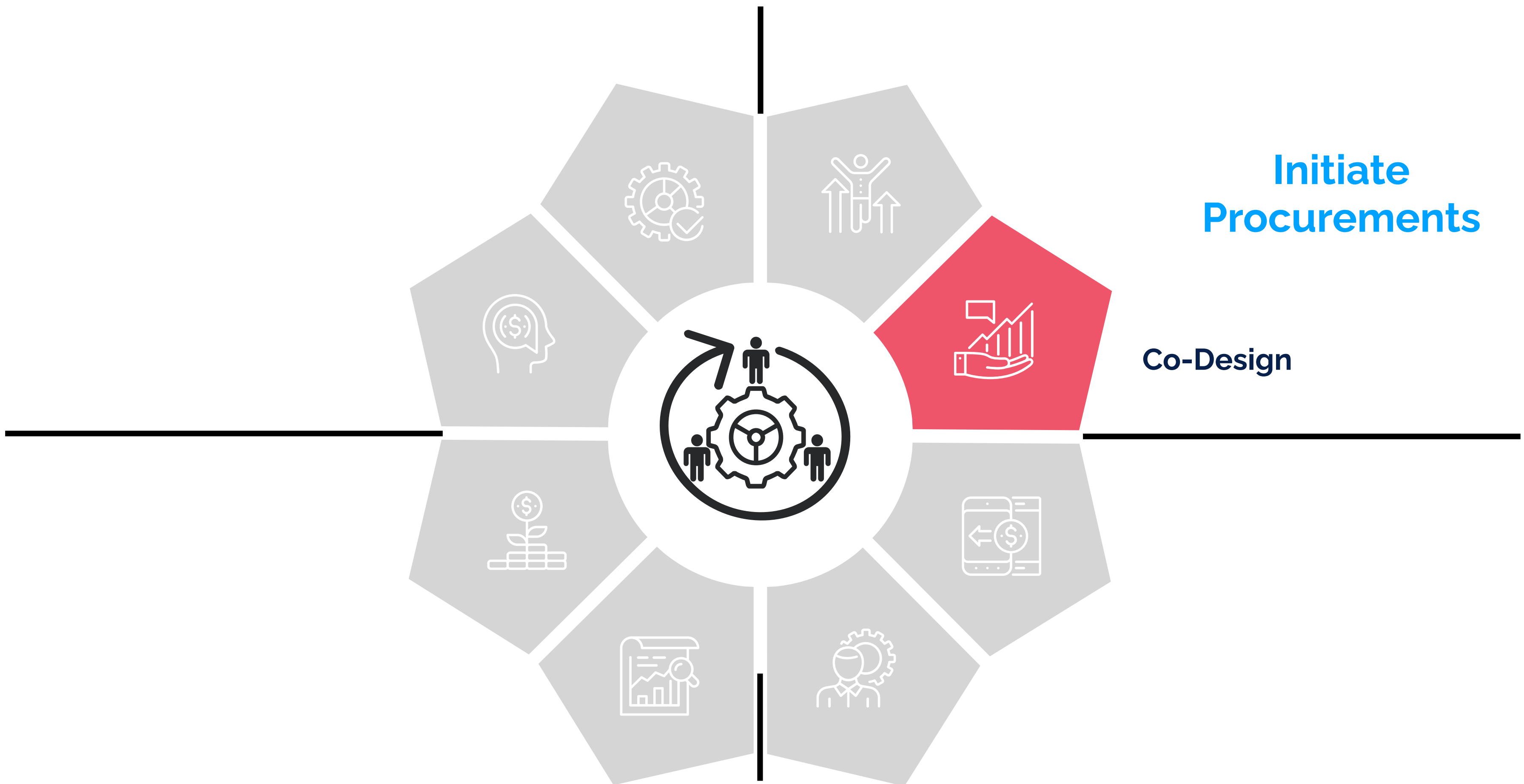

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Co-Design

Engaging Codesign in procurement refers to a collaborative approach where the buyer (client) and supplier (vendor) work together to define, develop, and refine the solution—*before* or *during* the procurement and delivery process.

Unlike traditional procurement (where specs are rigid and vendors are only expected to deliver to fixed requirements) codesign brings both parties into the problem-solving process, treating the vendor as a partner instead of just a vendor.

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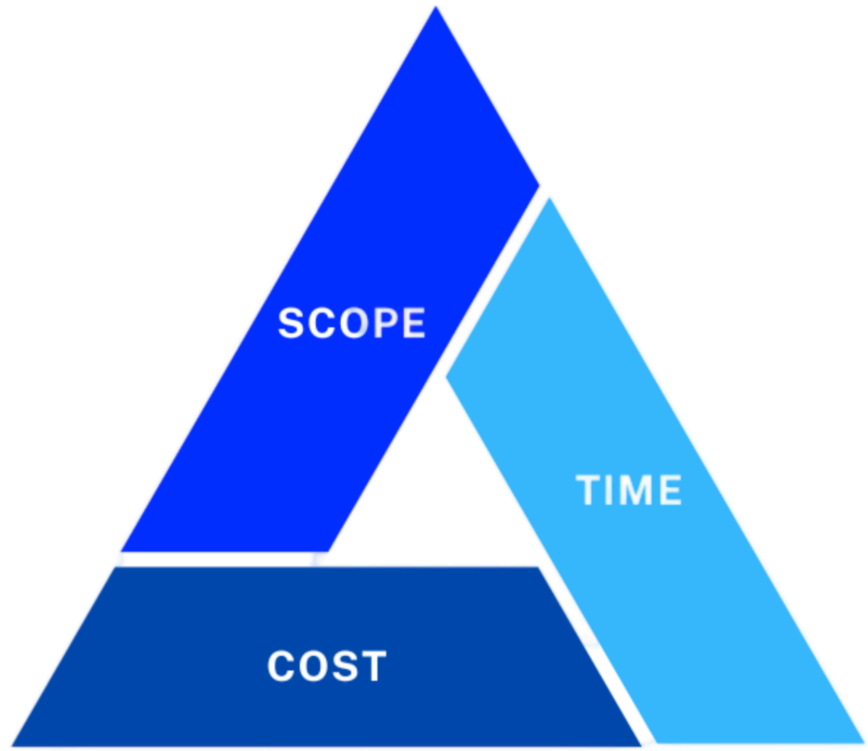
Co-Design

Engaging stakeholders to scope procurement

Higher risk procurements require more detailed engagement

Align internal expectations to market capability (scope, time and cost)



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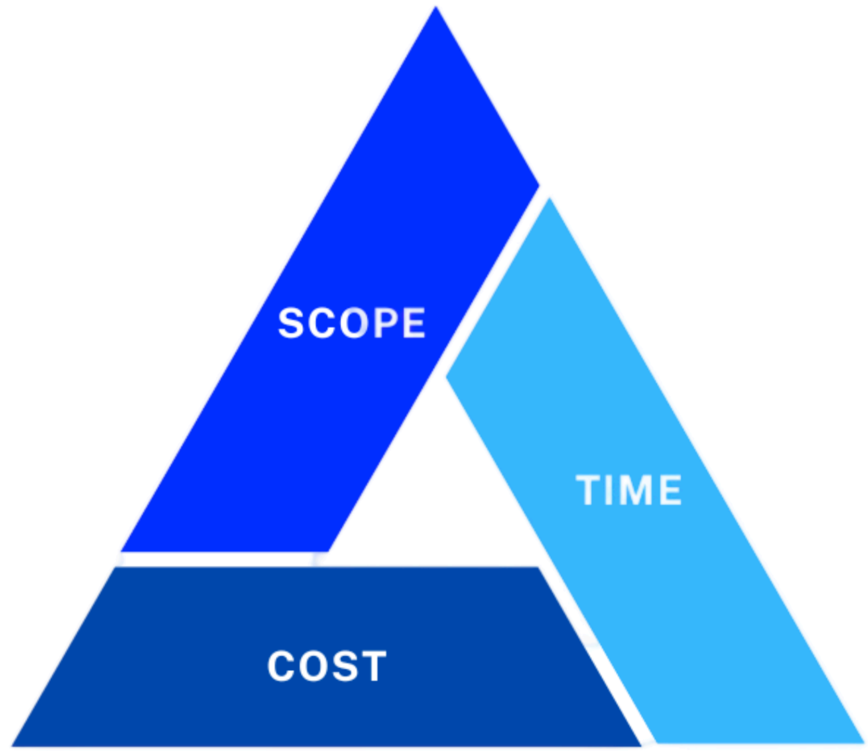
Co-Design

There are limits to how much free advice you can expect!



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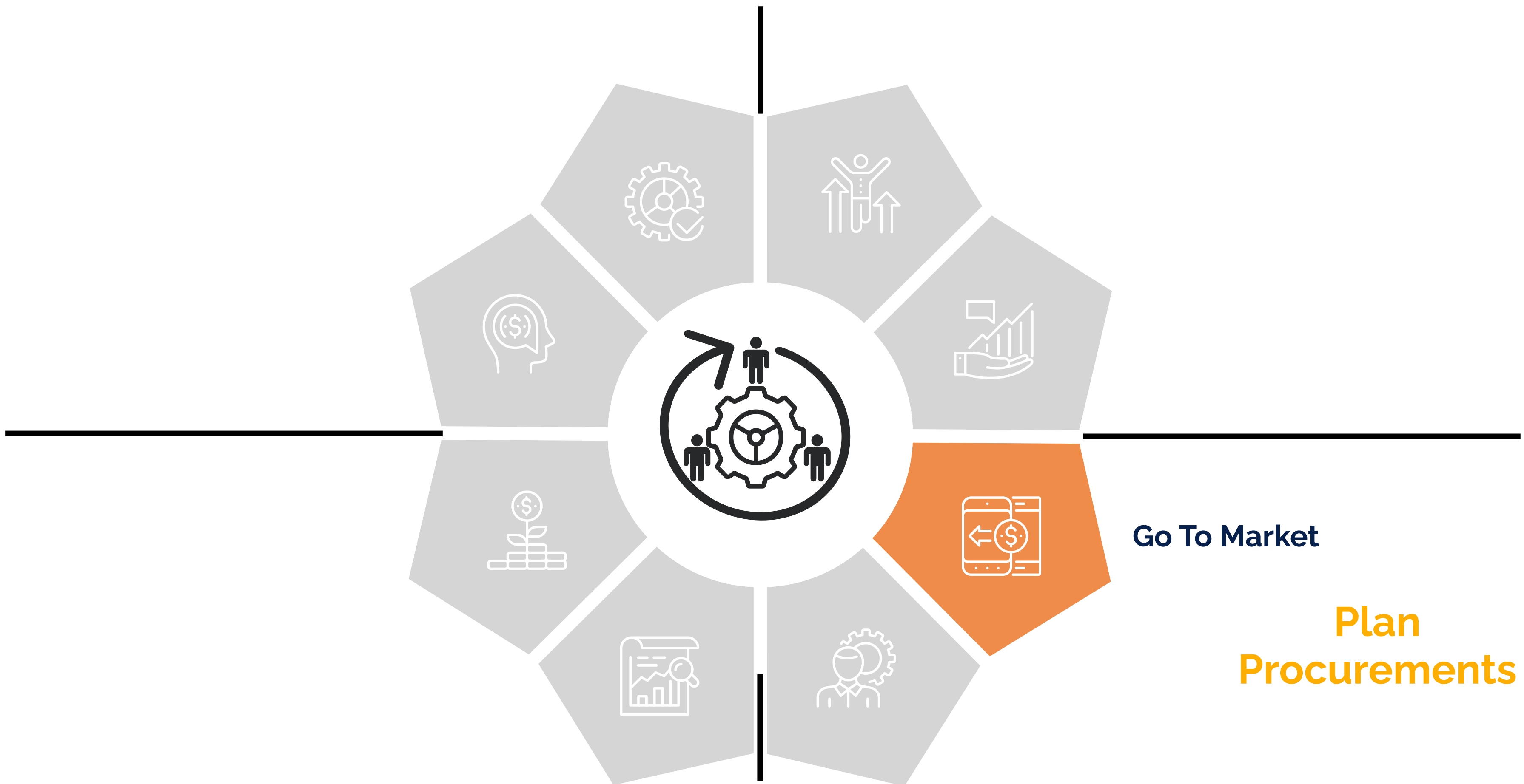

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Approaches to market

Expression of interest (EOI)

Request for quote (RFQ)

Request For Proposal (RFP) / Request For Tender (RFT)

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Expression of Interest (EOI)

In procurement, an Expression of Interest (EOI) is a preliminary stage used to gauge market interest, capability, and availability before formally inviting bids or proposals.

It helps buyers identify qualified suppliers who are interested and capable of delivering the required goods or services—before investing time and resources in a full tender process.

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Expression of Interest (EOI)

Outcomes mostly known

Highly uncertain scope

An EOI is the procurement world's version of "raise your hand if this is something you can do."

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Request For Quote (RFQ)

A Request for Quote (RFQ) in procurement is a formal invitation sent by a buyer to potential suppliers asking them to submit a price quote for clearly defined products or services.

It's one of the most straightforward procurement tools, typically used when specifications are fixed, quantity is known, and price is the primary decision factor.

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Request For Quote (RFQ)

Off-the-shelf product or service in highly competitive market

Typically a low risk procurement

An RFQ says, “Here’s exactly what we need. Tell us how much it will cost.”

Bid

A bid is a formal offer made by a supplier in response to a request for proposal (RFP) or request for quote (RFQ) from a buyer.

Bids are typically competitive and suppliers compete on price and other factors to win the contract.

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Tender

A tender is a formal invitation from a buyer to suppliers to submit their proposals for a project or contract.

Tenders are usually more structured and detailed than bids, and suppliers are evaluated based on a set of criteria outlined in the tender document.

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Request For Proposal (RFP)

A Request for Proposal (RFP) is a formal procurement document used by organizations to solicit detailed proposals from suppliers when the solution, approach, or service isn't fully defined, or when multiple factors beyond price (experience, technical capability, or innovation) are critical to the selection process.

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Request For Proposal (RFP)

Flexible outcomes

Multiple scope options at a range of prices

Complex but well-defined scope with clear outcomes

Several known providers

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What is in a Request for Proposal (RFP)?

Draft statement of work

Key performance indicators (KPIs)

Conditions for participation

Evaluation criteria (Lowest price technically acceptable or best value?)

Proposed contract length

Response guidelines (When & how to submit)

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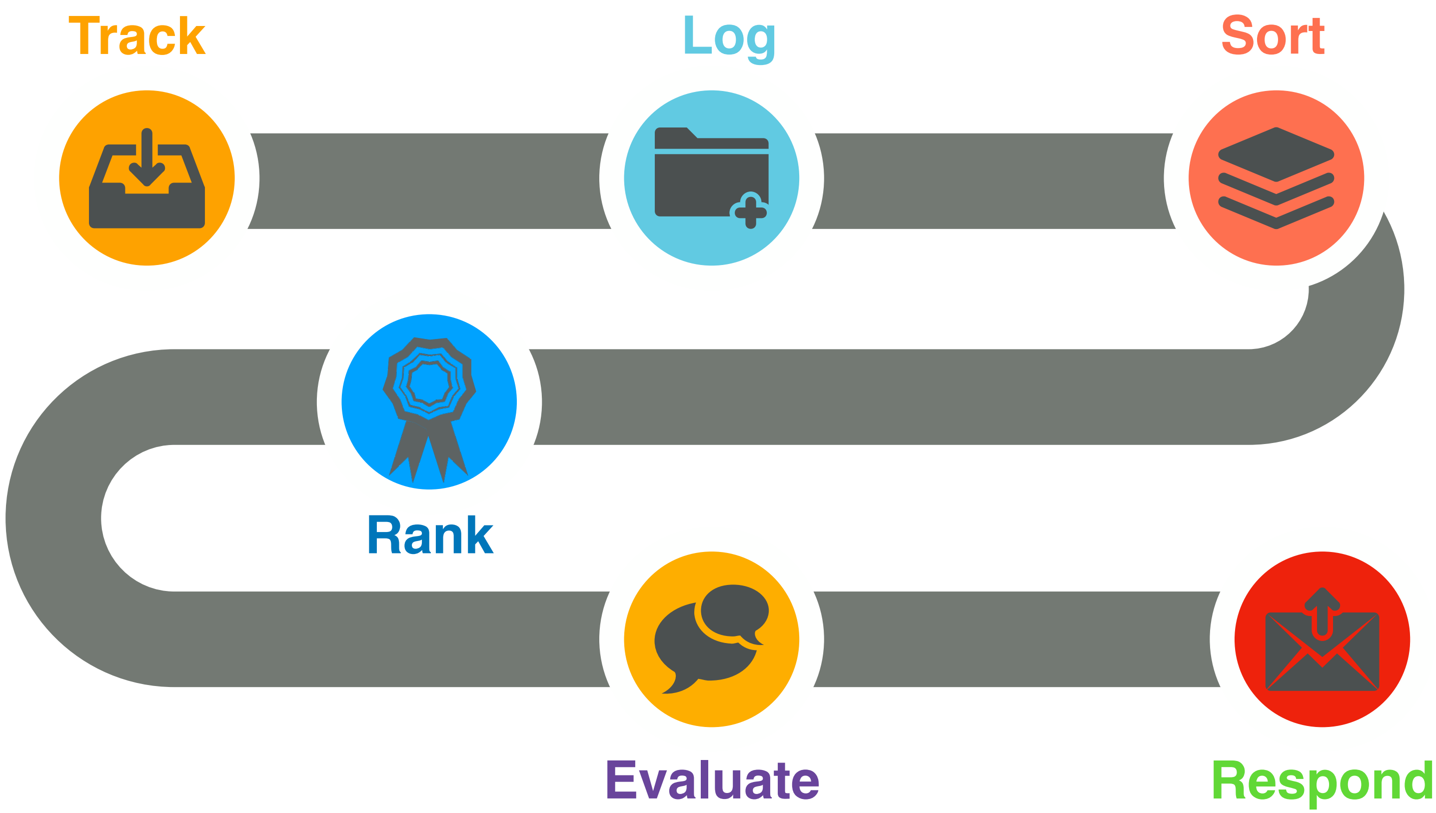
Request for Information (RFI)?

A common business process whose purpose is to **collect written information about the capabilities** of various suppliers

Managing requests for information (RFIs)



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Tender/Proposal Manager

Process expert: Manages the tender process

Ensures tender documentation is complete and accurate

Publishes tenders and acts as sole point of contact

Manages supplier questions and communicates replies to all (*addenda*)

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Tender/Proposal Manager

Assesses eligibility of tenders (e.g. compliance)

Notifies successful (and unsuccessful) applicants

Captures actions and lessons learned

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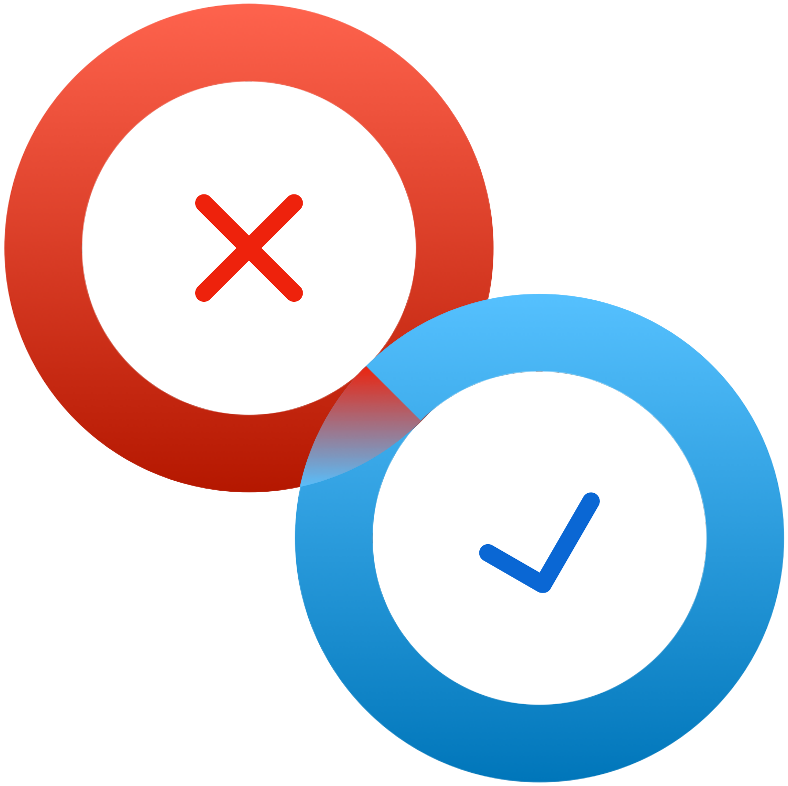
Procurement Policies

Formal and informal organizational procurement practices



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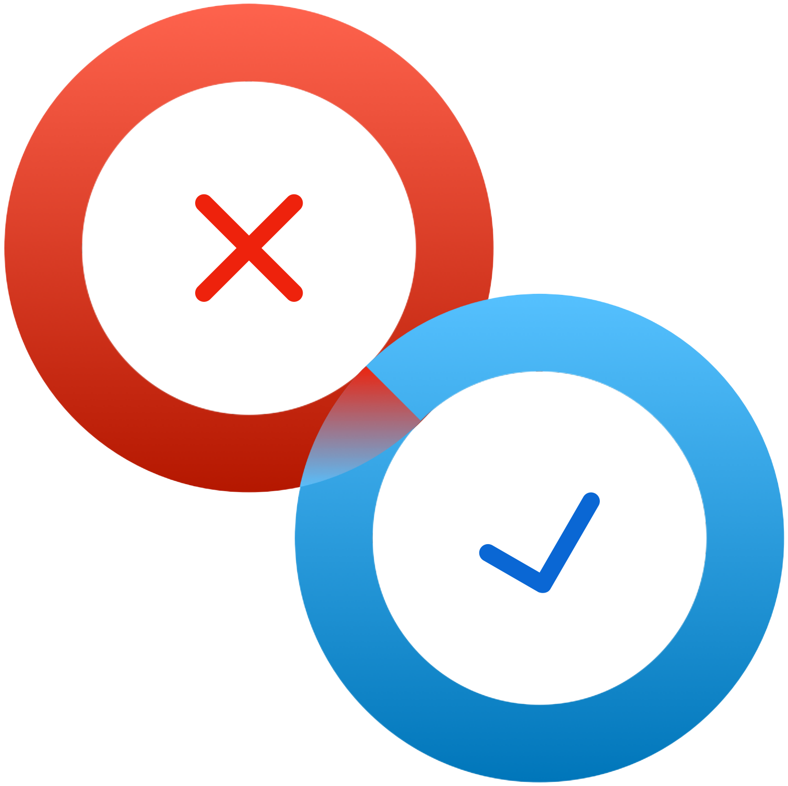
Procurement Policies

Includes:
Delegated authorities
Competitive process
Preferred suppliers
Codes of conduct
Sustainability guidelines



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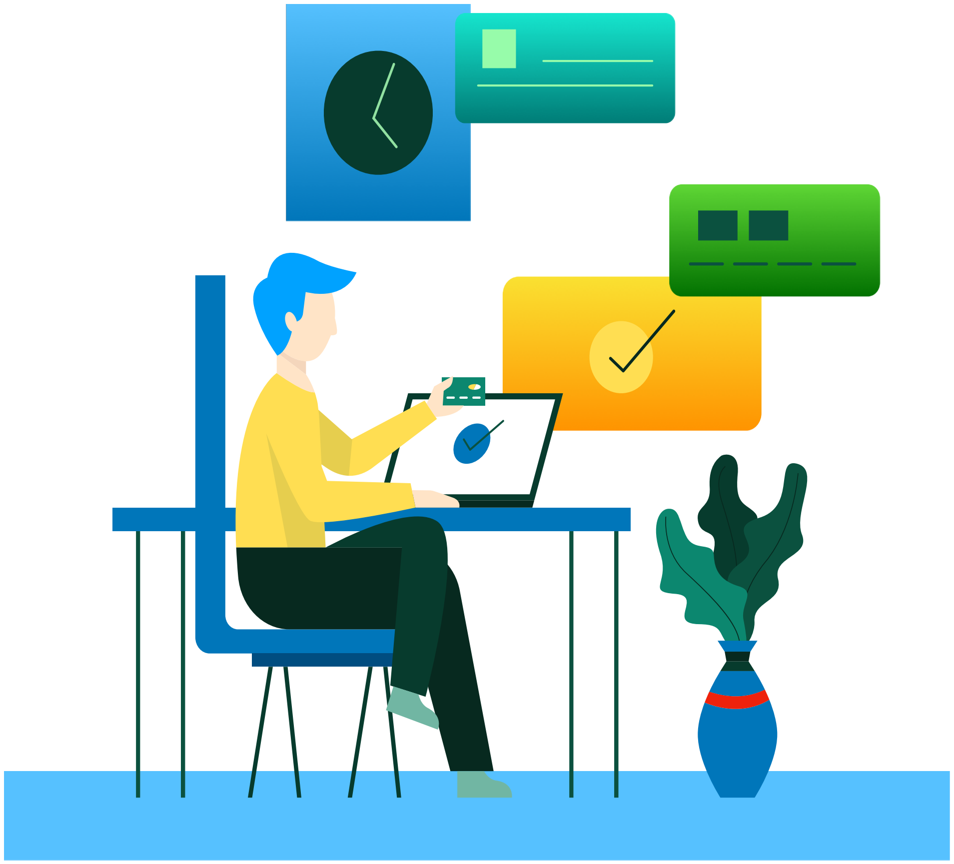
Delegated authorities

Stakeholders who are allowed to make procurement decisions?

What is the process and requirement for them to be able to be in this position?

When does the delegation occur?

- Permissions
- Renewals
- Expirations



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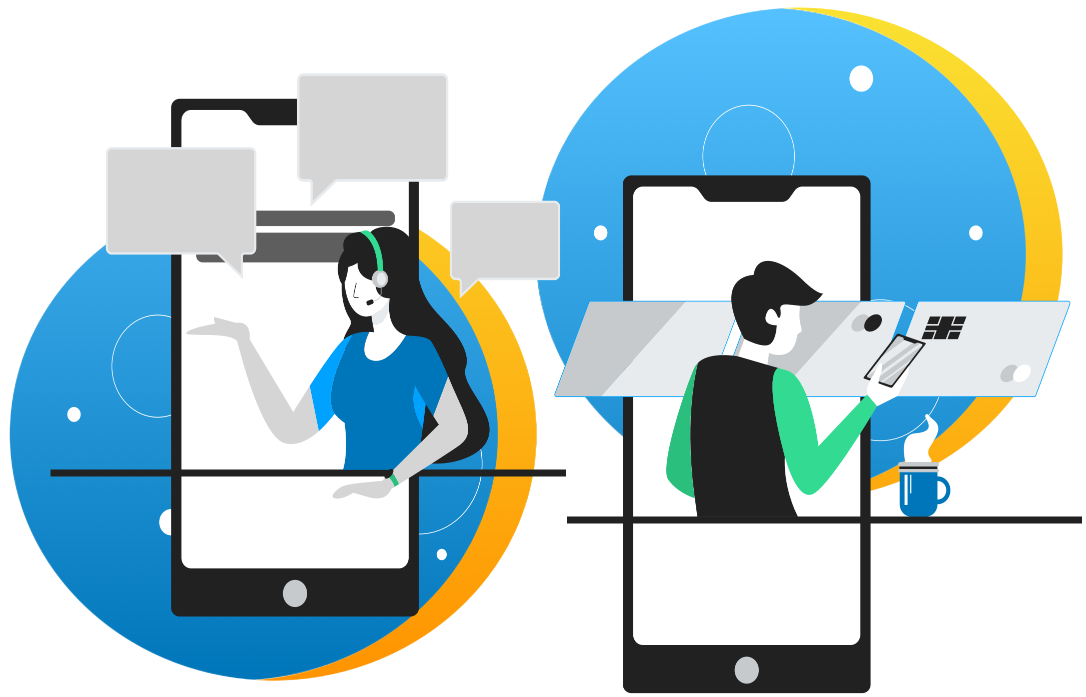
Competitive Process

When can we direct purchase?

When should we get three quotes?

When should we go to tender?



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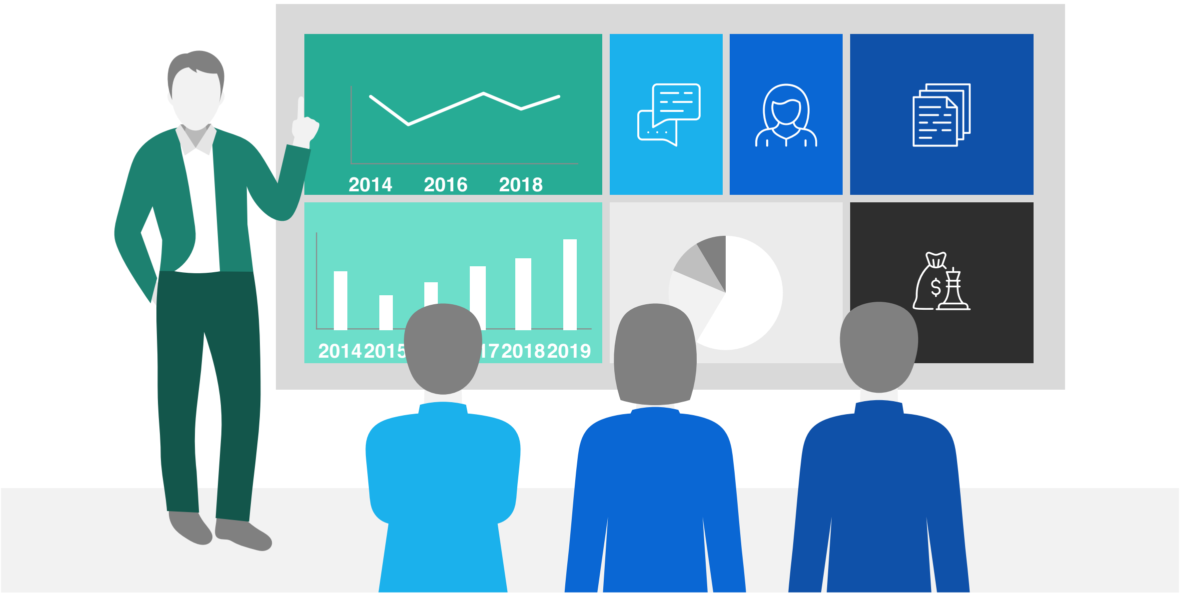
Preferred Suppliers

Do we have pre-approved contractors / vendors for certain work?

Do we have a list of requirements to become a preferred supplier?

Do we have a reason we would choose preferred suppliers?



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Market Feedback

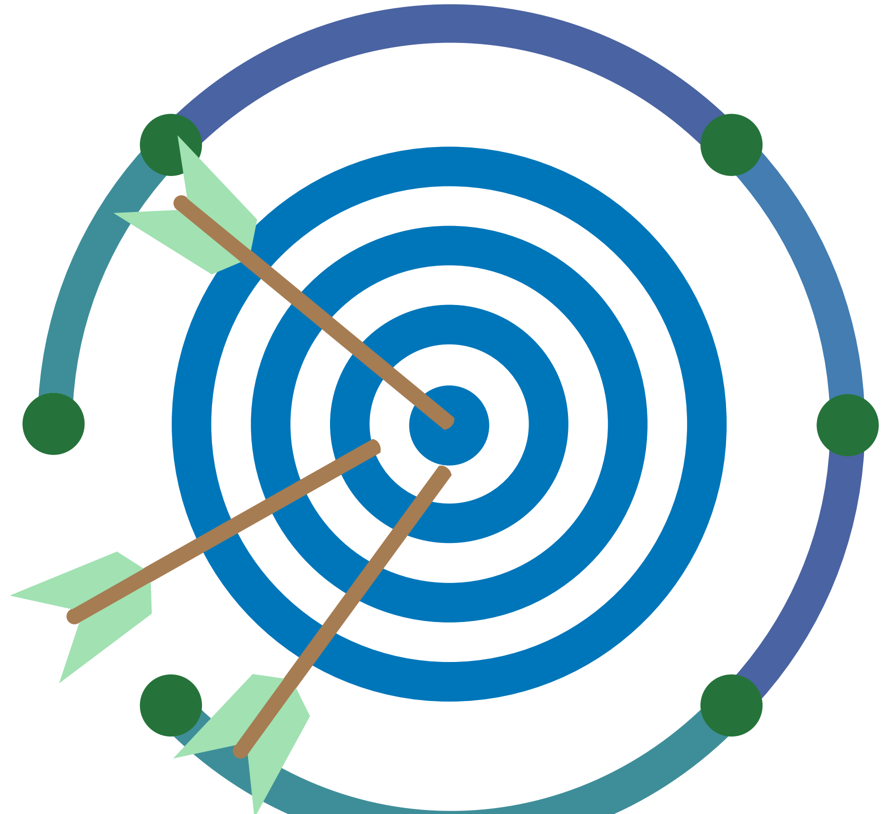
Notify unsuccessful tenderers

Giving feedback:

Improves quality of future responses

Provides surety that procurement process was fair and transparent

Helps them learn and grow as a business



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Sustainability Guidelines

Sustainability guidelines in procurement are a set of principles, criteria, and practices that ensure purchasing decisions support environmental responsibility, social equity, and long-term economic value.

They move procurement beyond price and performance, requiring buyers to ask: "What impact does this purchase have on people, the planet, and future resilience?"

Sustainability Guidelines

Voluntary, third party-assessed, norms and standards relating to environmental, social, ethical and food safety issues

Demonstrates the performance of their organizations or products in specific areas

There are over 400 such standards across the world

Fair Conduct of Tenders

Contractors and vendors are also project stakeholders.

Did we identify them on our Stakeholder Register?

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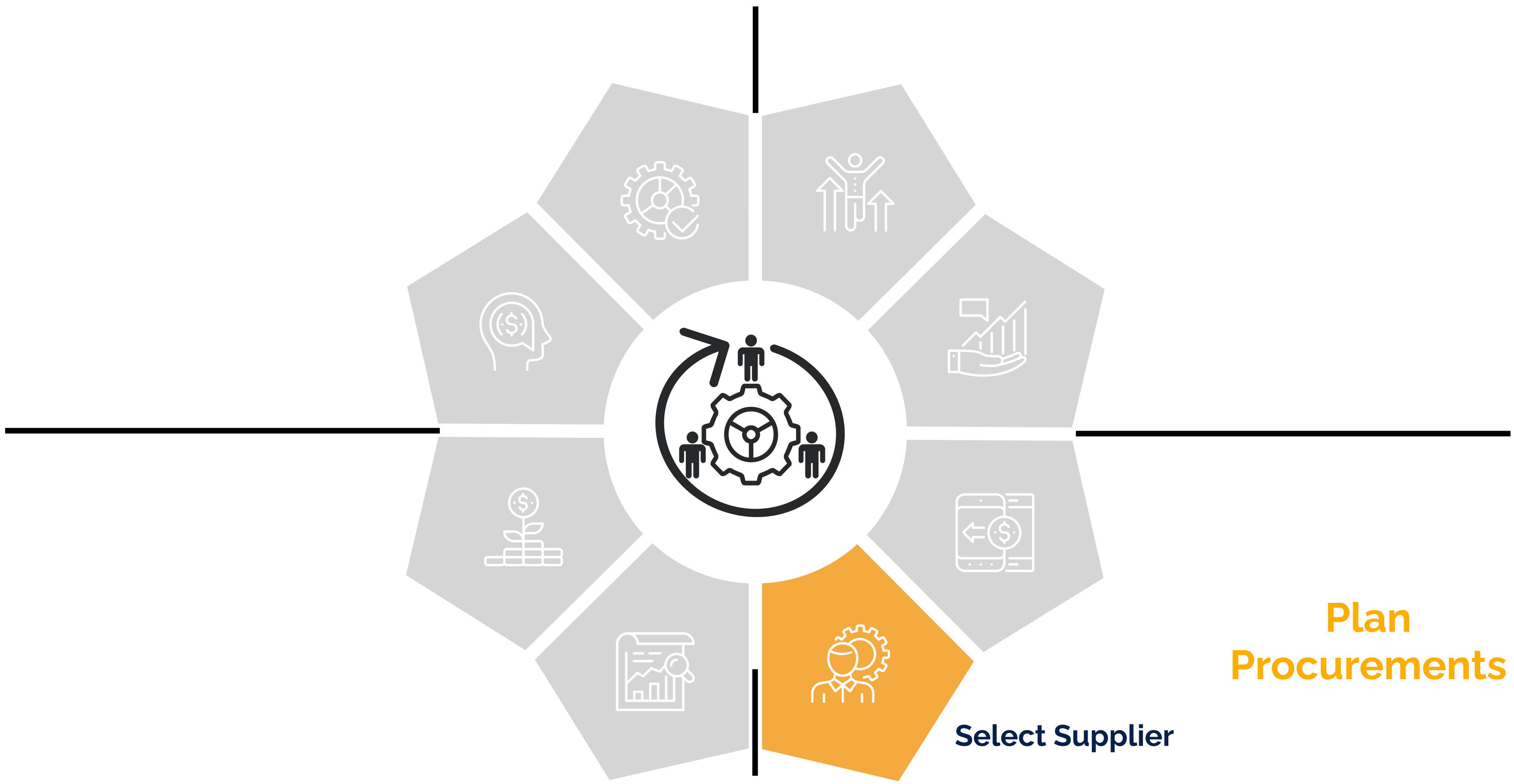
The Procurement Cycle



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How do we know the price is right?

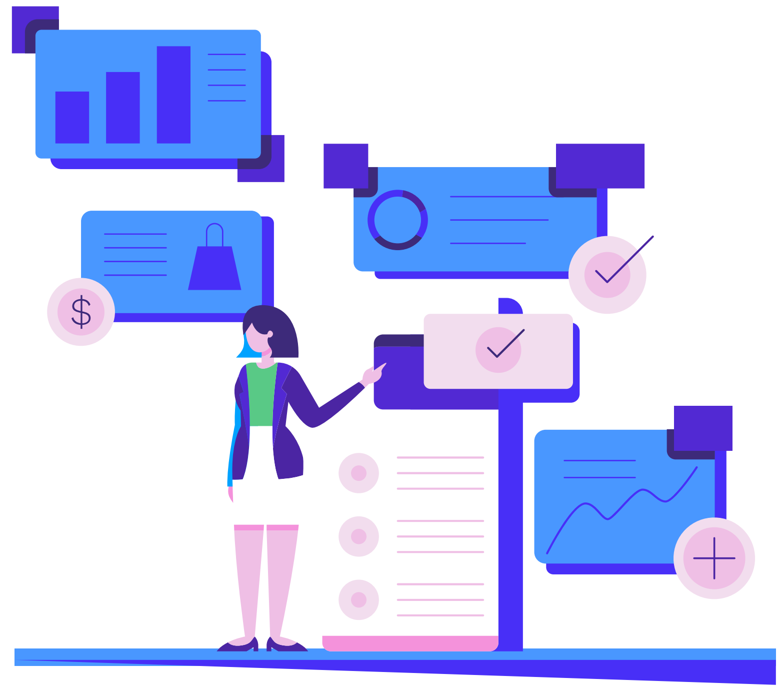
Commercial norms / Market prices

Benchmarks (other bids)

Historical prices

Pricing data on similar items

Independent cost assessment



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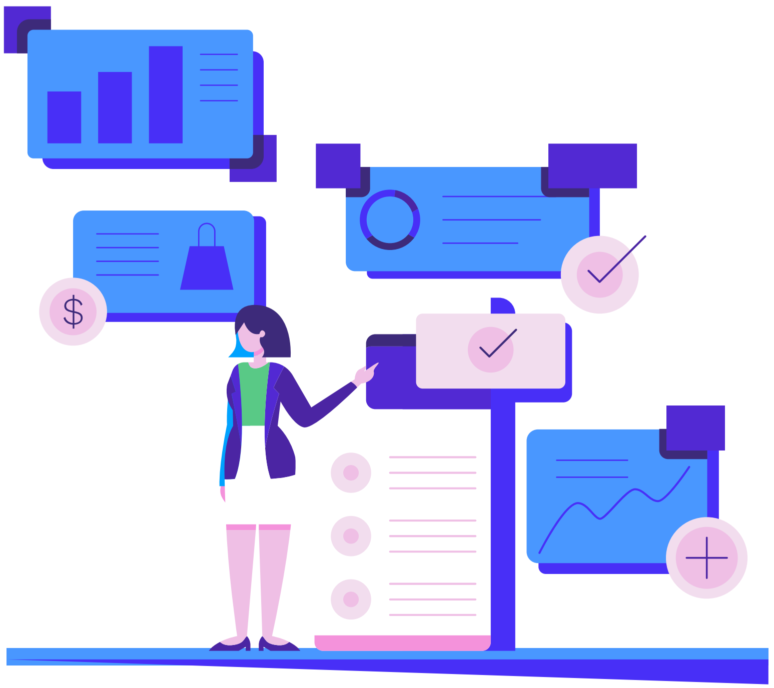
How do we know the price is right?

Just tell them your budget?



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Total Cost of Ownership (TCO)

SUNK COST	Research and Development, Tooling, Equipment, Evaluation, Bid and Award, Supplier Certification
OVERHEAD COST	Working Capital, Internal Support, Quality, Incoming Inspection, Interest Expense, Prototyping, Order Processing, Accounts Receivable, Engineering Build, Process Validation, Licensing, Vendor Tracking, Storage and Distribution, Inventory Management
PURCHASE COST	Purchase Price, Shipping, Packaging, Duties, Tariffs, Taxes, Supplier Profit
UTILIZATION COST	Installation, Labor and Benefits, Training, Operating, Supplies and Consumables, Performance, Maintenance, Labor, Spoilage, Learning Curve, Regulatory, Environmental, Obsolescence, Upgrade, Efficiency
LIFE CYCLE COST	Spare Parts, Service, Disposal, Warranty

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Total Cost of Ownership (TCO)

SUNK COST

OVERHEAD COST

PURCHASE COST

UTILIZATION COST

LIFE CYCLE COST

Know your numbers and how they will impact your project!

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Conflict of Interest

DISCUSSION

Give examples of a conflict of interest?

How would you manage it?

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Conflict of Interest

What is it?

What do we do about it?

How do we spot it?

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Conflict of Interest

A situation in which a person or organization is involved in multiple interests, financial or otherwise, and serving one interest could involve working against another.

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Conflict of Interest

Typically, this relates to situations in which the personal interest of an individual or organization might adversely affect a duty owed to make decisions for the benefit of a third party.

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How do we assess supplier quality?

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Supplier quality?

Technical capability and approach

Risk appreciation

Past performance / references

Business size (financial capacity)

Business type – *is this their core business?*

Guarantees / warranties

Intellectual / property rights

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Contracting Differentiators (Military and Government)

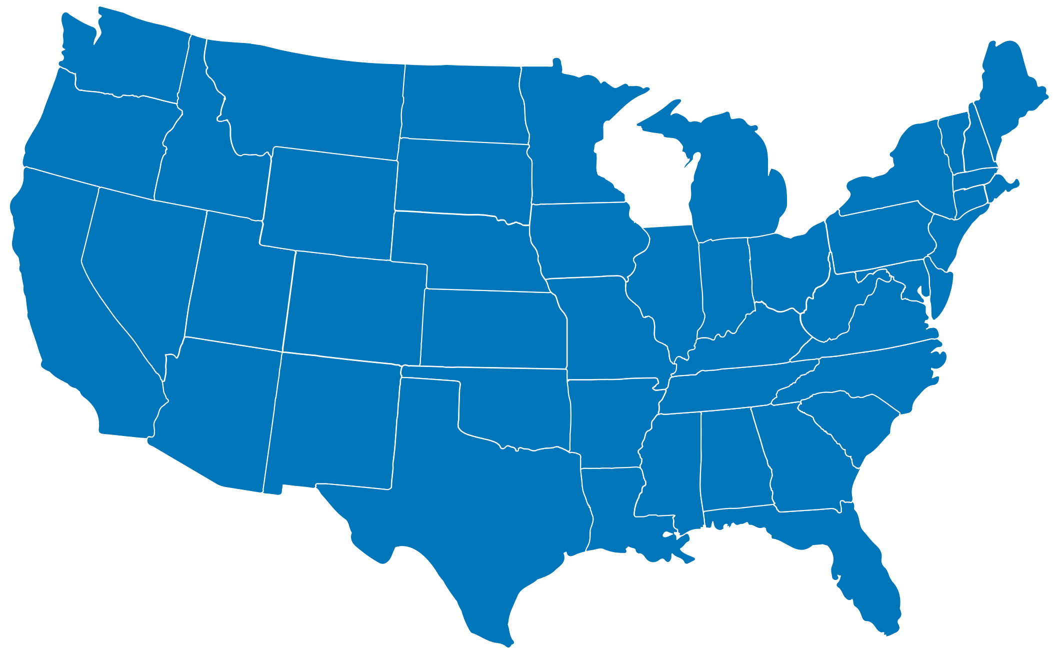
Women-Owned Small Business Federal Contracting. 5%+

Service-Disabled Veteran-Owned Small Business. 3%+

8(a) Business Development. 5%+

HUBZone. 3%+

All Small Mentor-Protégé Program.



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DISCUSSION

You have been instructed to book a caterer by RFQ:

What will be some of your evaluation criteria?

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Going back to the MCA

Multi-Criteria Analysis		Scott Kinder, CEO DO NOTHING OPTION		Otis McGregor (Cost: $5,000)		Brene Brown (Cost: $25,000)	
CRITERIA	WEIGHT	RATING	SCORE	RATING	SCORE	RATING	SCORE
Feasibility	1	5	5	3	3	1	1
Project Costs	3	5	15	3	9	1	3
Net Financial Impacts	2	1	2	3	6	4	8
Organizational Impacts	2	1	2	3	6	3	6
Other Impacts	1	1	1	3	3	4	4
Organizational Risk	1	1	1	2	2	2	2
	Score:		26		29		24

Weight and Rating are always on a scale of 1 (low) - 5 (high)

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Why negotiate contracts?

To achieve a full understanding between the parties

To confirm or to obtain better value for money

To clarify issues or objections to contract provisions

To explore any complex or one-off issues

To identify new OPPORTUNITIES

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Contracting Officers (“KO”)

All government contracts are initiated, written, and overseen by a contracting officer (KO)

The only government officials with authority to spend federal money beyond the micro-purchase threshold

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Contracting Officers (“KO”)

As of 2019: $2,000 for construction, $2,500 for services, and $10,000 for most goods.

Has written authority, known as a “warrant,” given by a cabinet-level official to enter into contracts on behalf of the government.

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Written Contract Elements

Document Title / ID / Date of agreement
Identification of parties
- Contact information
- Delegates (*e.g.* superintendent)

Recitals
Definitions
Statement of work (SOW)
Period of performance (including milestones)
Place of performance and Delivery
Roles and responsibilities
Pricing and Payment Terms
Inspection criteria & Acceptance criteria

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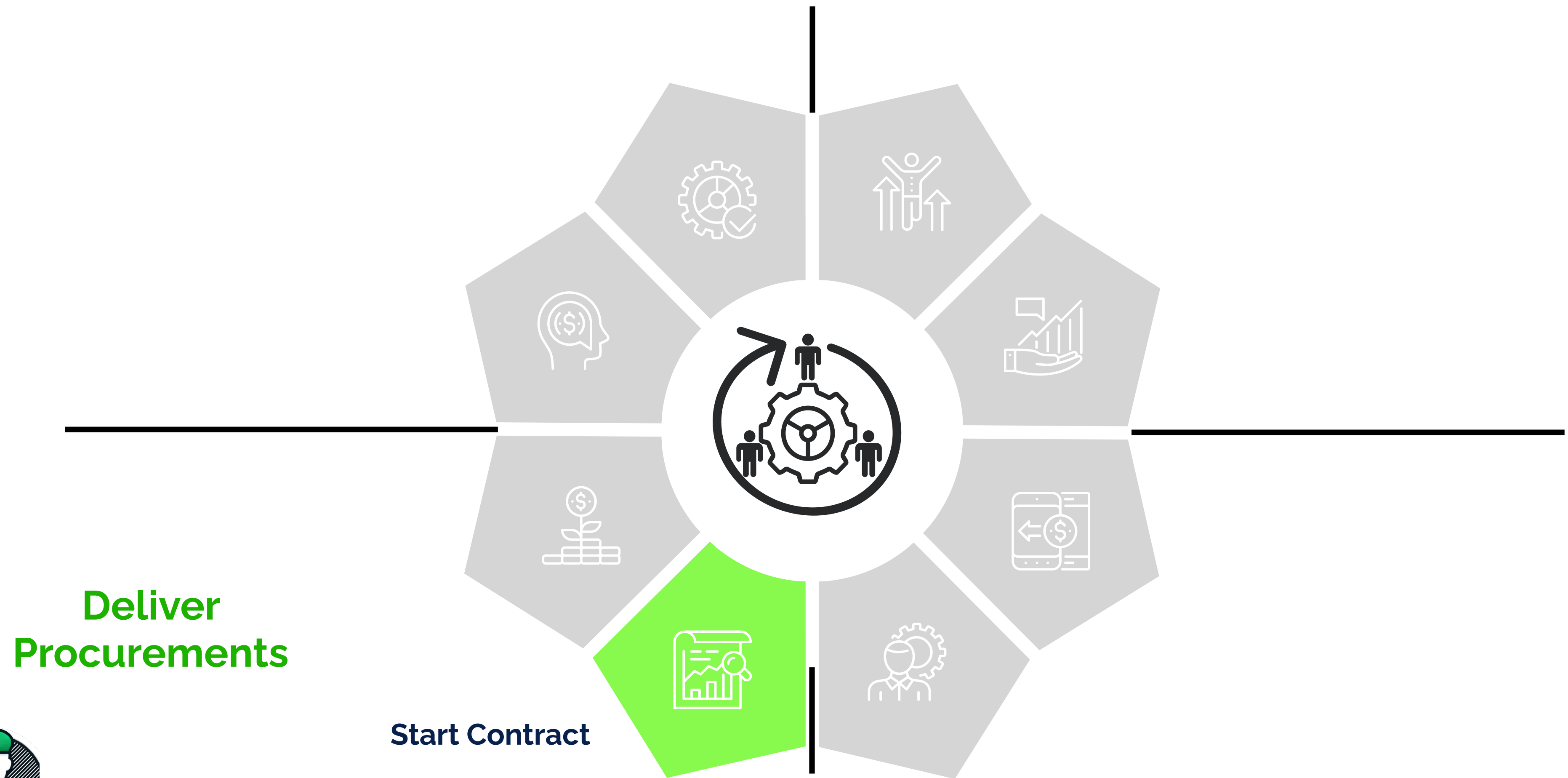
The Procurement Cycle



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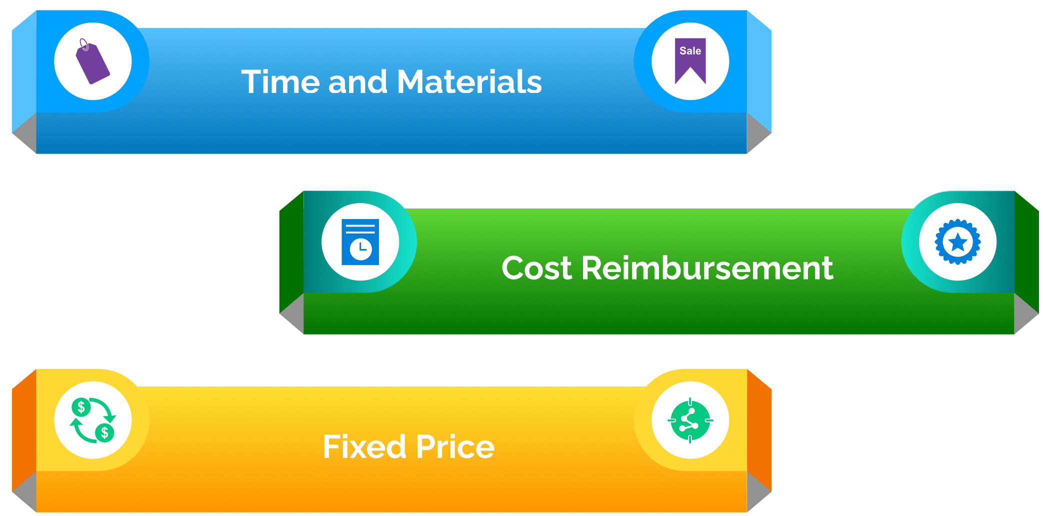
Major Contract Types

Time and Materials Contracts

Used to acquire supplies or services on the basis of direct labor hours at specified fixed hourly rates.

The contract type defines the expectations, obligations, incentives, and rewards for both the government and the contractor during an acquisition.



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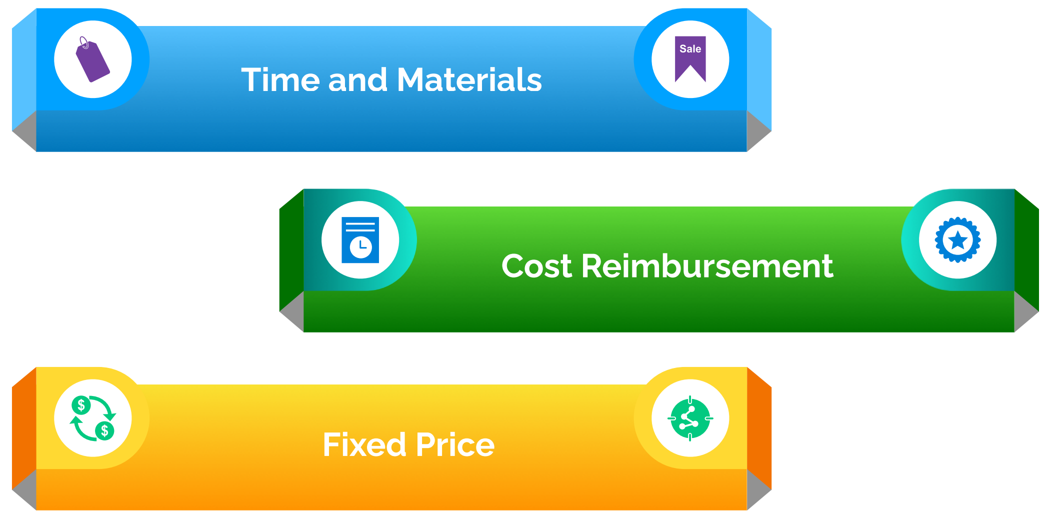
Time and Materials Contracts

Includes wages, overhead, general and administrative expenses, and profit



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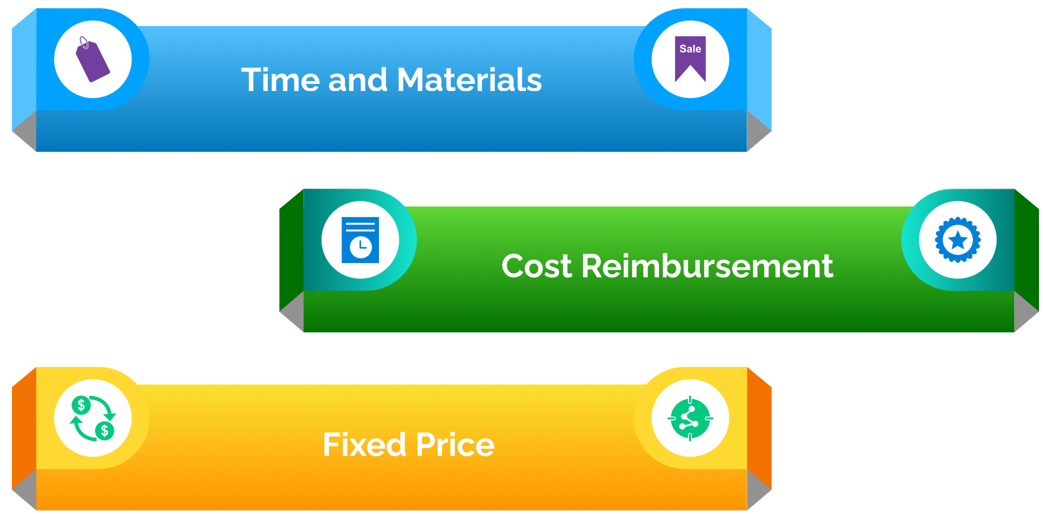
Cost Reimbursement Contracts

(Cost Plus) = a contractor is paid for all allowed expenses up to a set limit, + profit margin

Cost-reimbursement contracts carry additional obligations for the contractor in how they account for the costs they are seeking for reimbursement.



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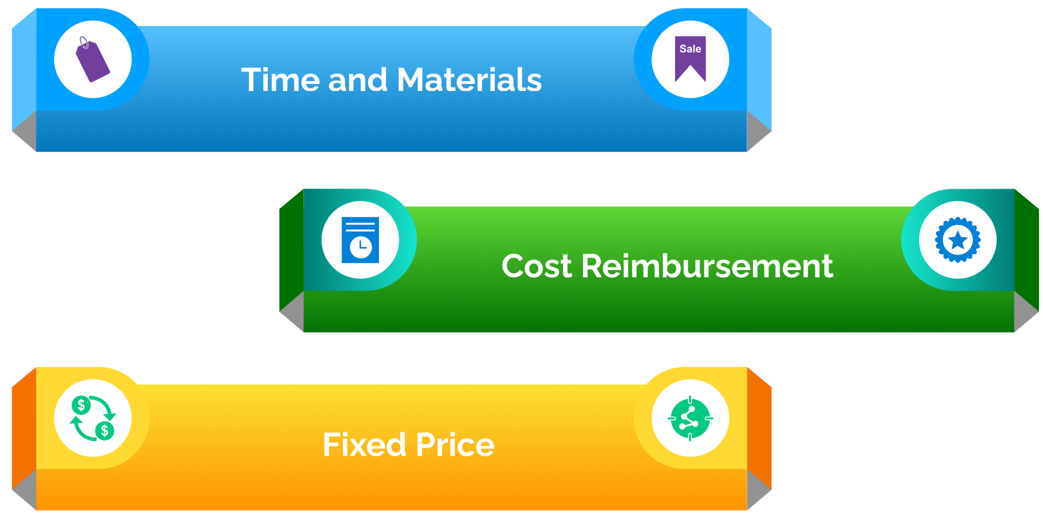
Cost Reimbursement Contracts

Cost + incentive fee
Cost + award fee
Cost + fixed fee
Cost- Sharing



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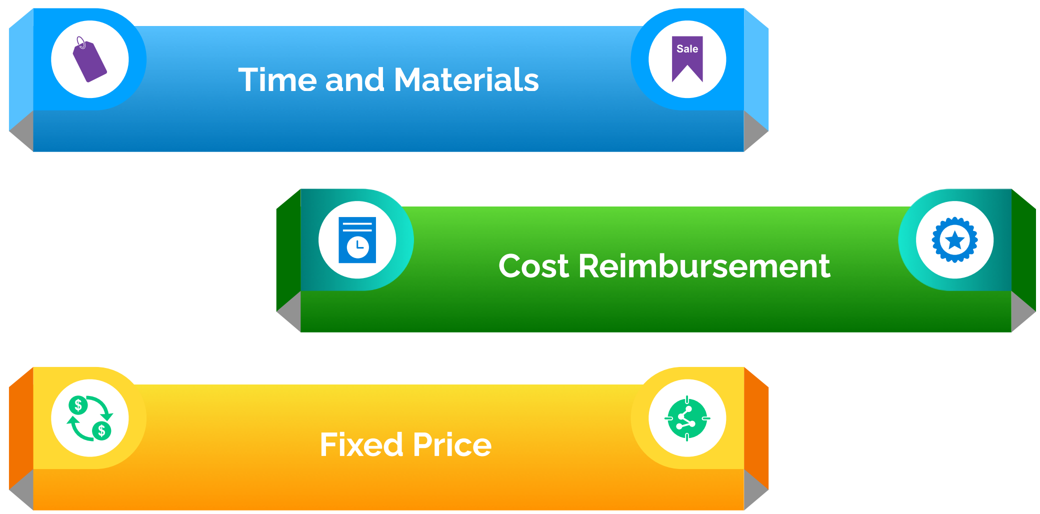
Fixed Price Contracts

Firm price for the work completed or items supplied.

Fixed-price contracts are used by all federal agencies and generally provide a firm price for the work completed or items supplied.



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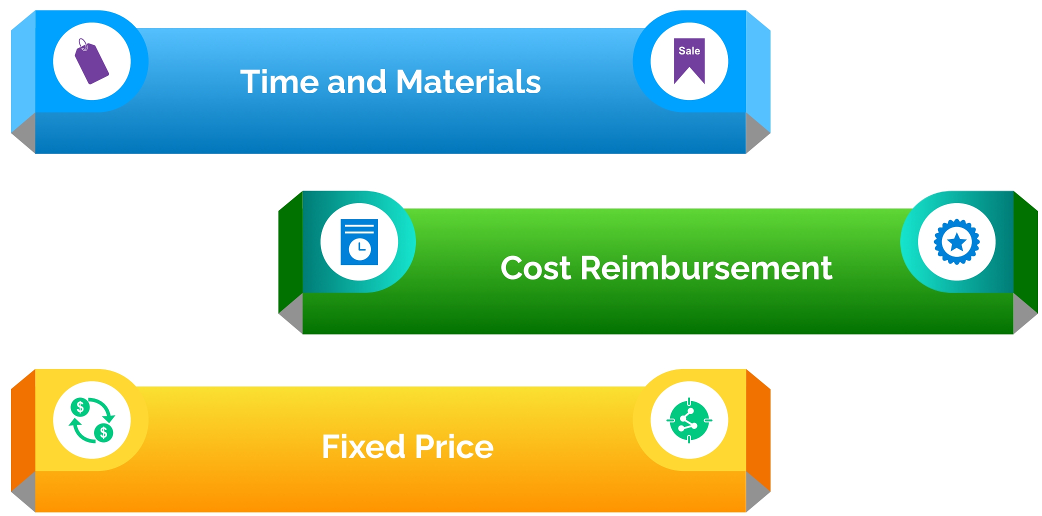
Fixed Price Contracts

Firm fixed price
Fixed price economic adjustment
Fixed price incentive firm
Fixed price award fee



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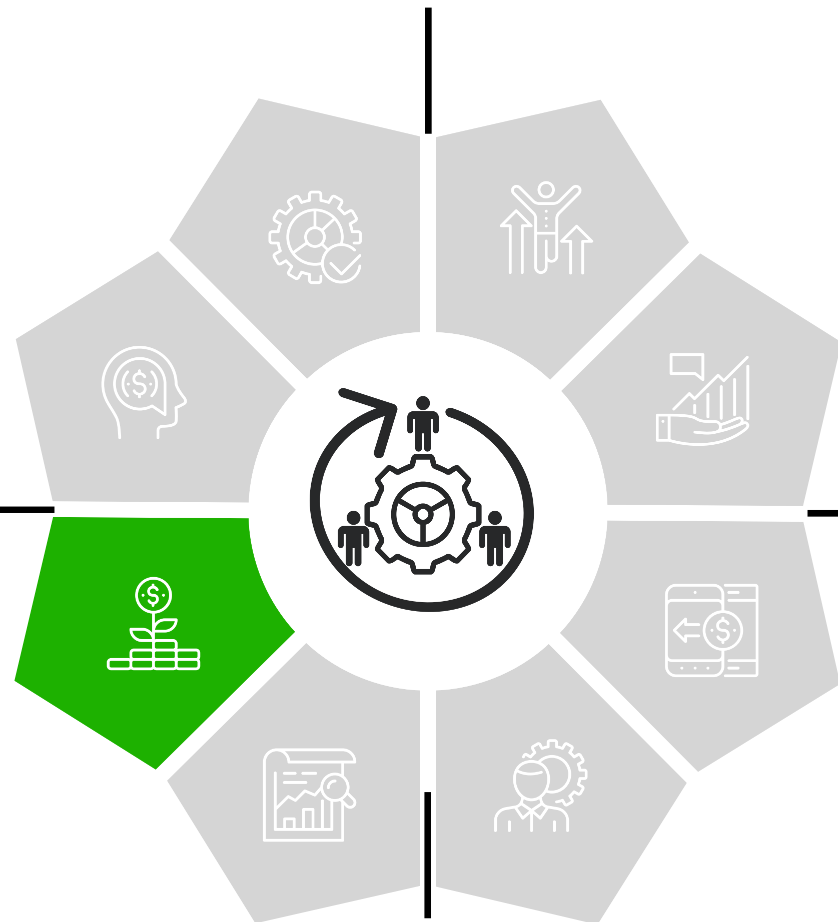

Administer Contract

Deliver Procurements

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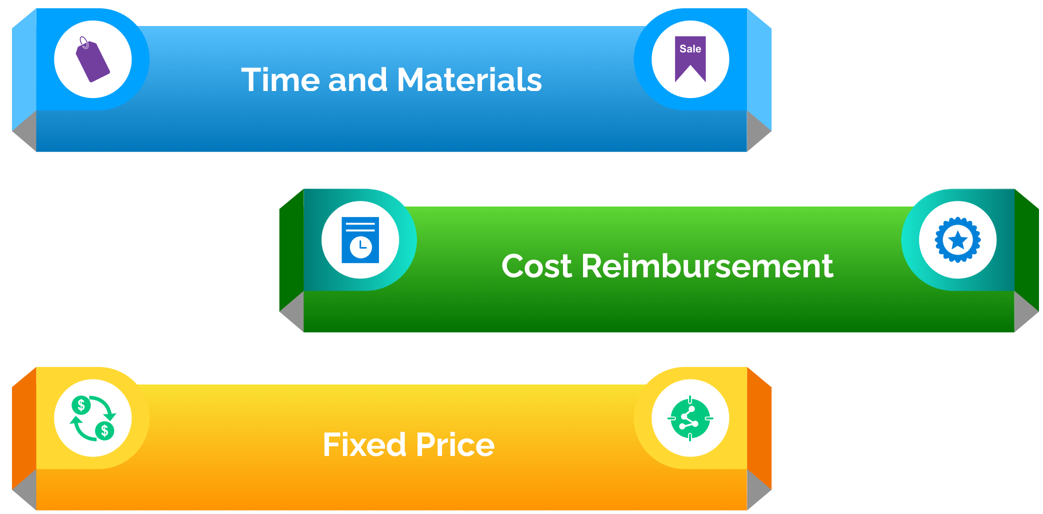
What could go wrong?

It is up to YOU to know and abide by the contract.



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Written Contract Elements

Warranties & Product support

Limitations of liability

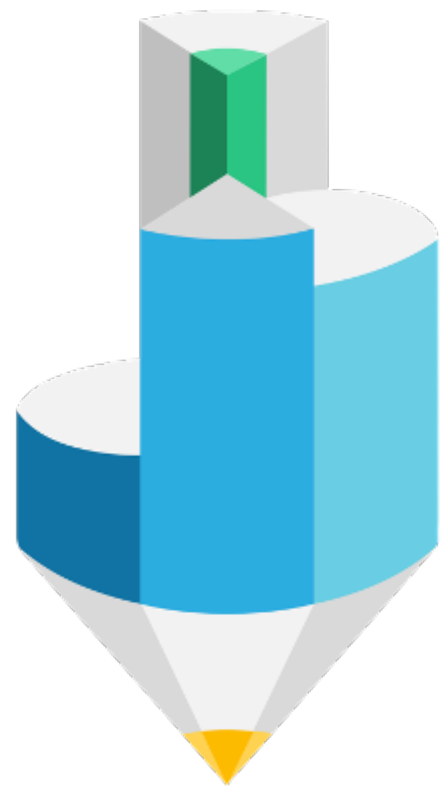
Penalties and incentives

Insurances and performance bonds

Subcontractor approvals

Change request (variation) handling

Termination and Alternative Dispute Resolution (ADR)



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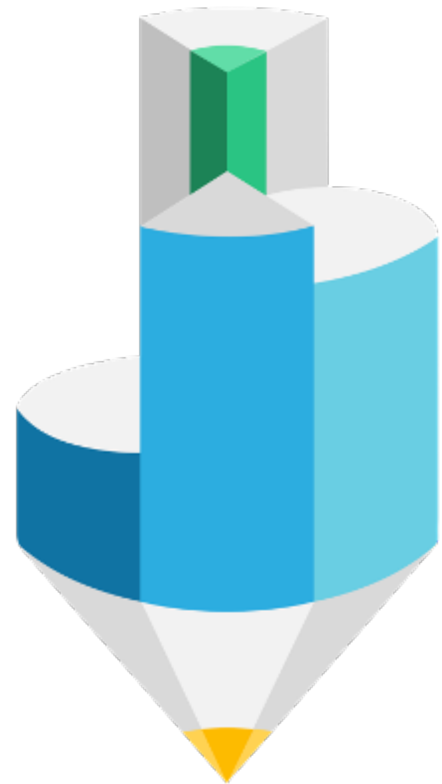
Alternative Dispute Resolution

https://adr.gov/

In 1996 Congress passed the Administrative Dispute Resolution Act (ADRA) which requires each agency to promotion and use alternative dispute resolution methods to resolve disputes, designate a senior official to be the agency "Dispute Resolution Specialist," and to adopt an agency specific ADR policy.



DISCUSSION

What type of feedback should you provide to unsuccessful tenders?

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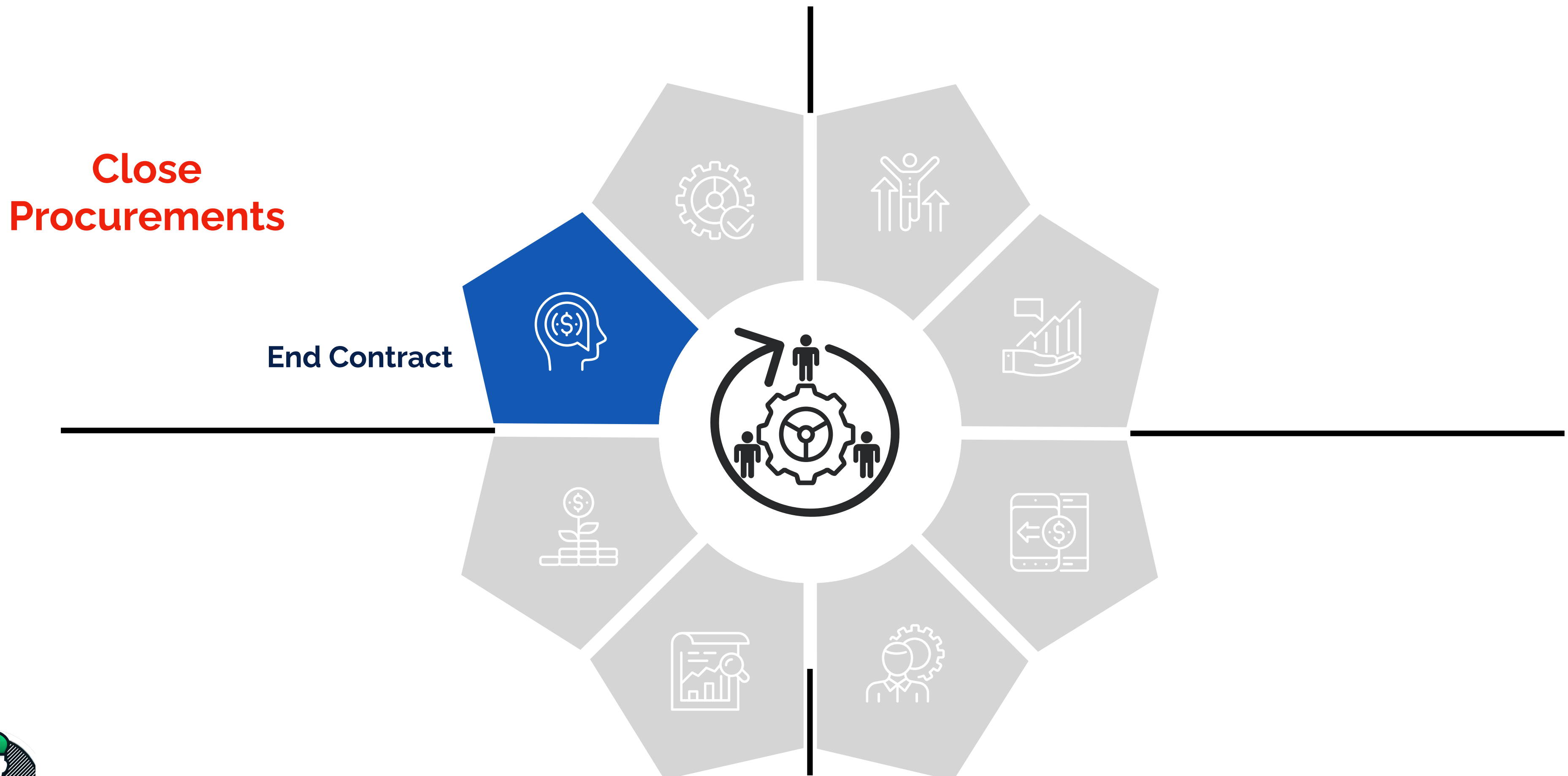

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Feedback

Feedback from market, including non-respondents

Process audit and review:

- Did we complete all the steps?
- Did our steps aid or hinder process?

Evaluation committee de-briefing

End-user de-briefing (contract administrator, output owner)

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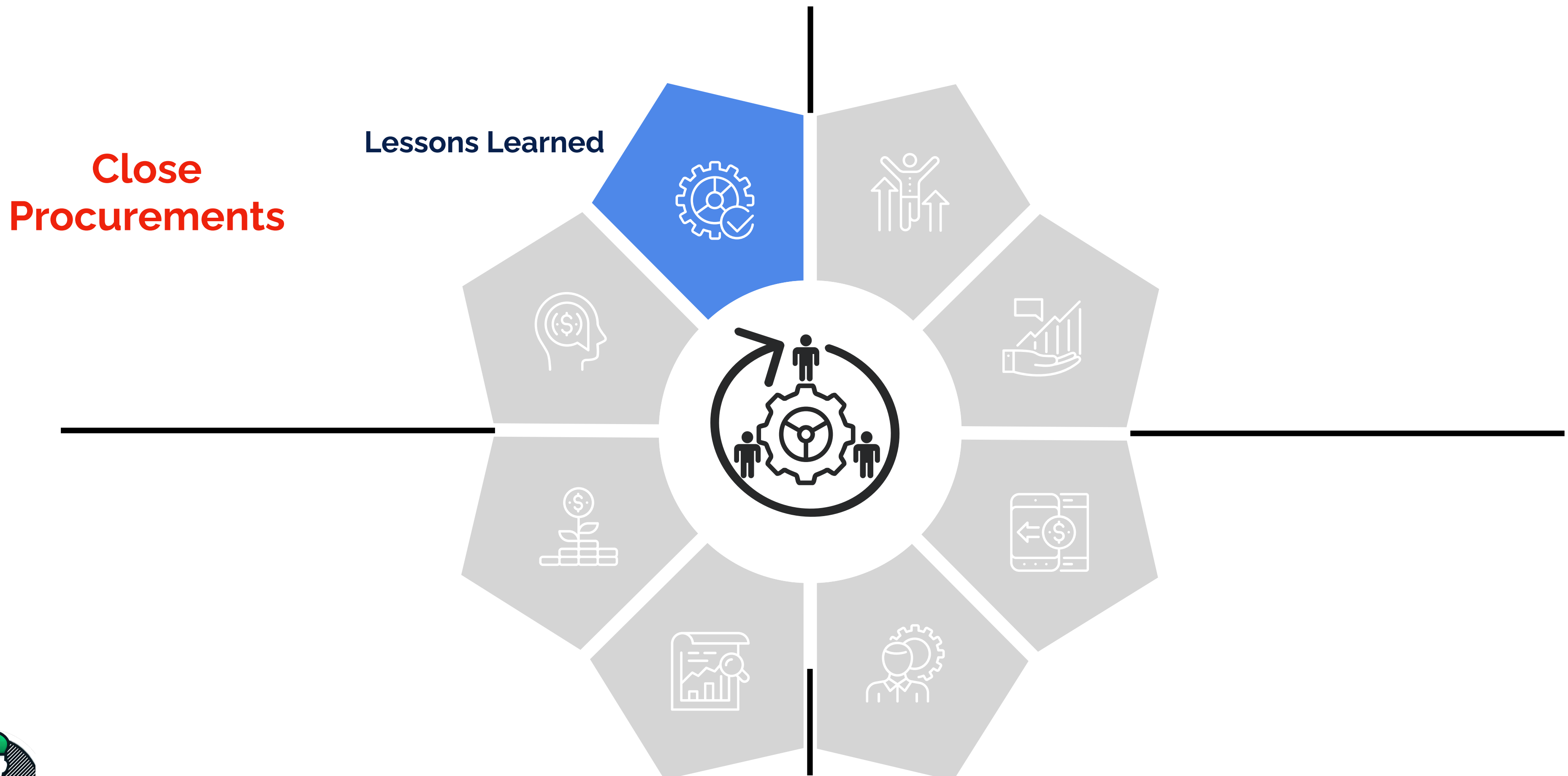

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DISCUSSION

What feedback should YOU seek at the end of the procurement phase?

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Lessons Learned Register

LESSONS LEARNED LOG						
Project Name:						
National Center:						
Project Manager Name:						
Project Description:						
ID	Date Identified	Entered By	Subject	Situation	Recommendations & Comments	Follow-Up Needed?

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Key Points: Procurement

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Procurement runs through the same phases as projects:
Initiate, Plan, Deliver, Close

Stakeholders play a key role in procurement, make sure you are identifying, prioritizing and engaging with them properly

Know the types of contracts available to accomplish that which you set out to do during the business case