

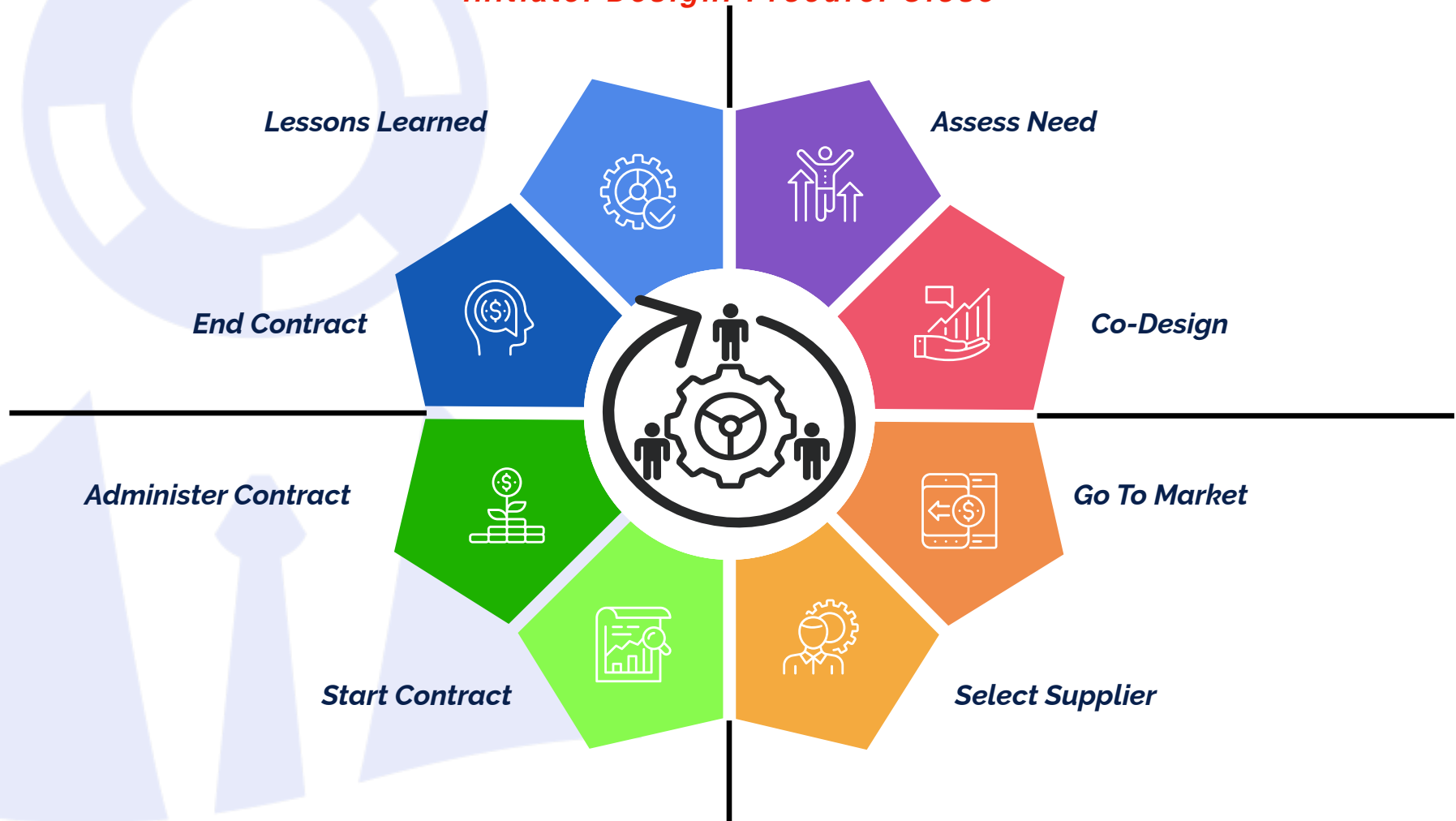


Project Procurement



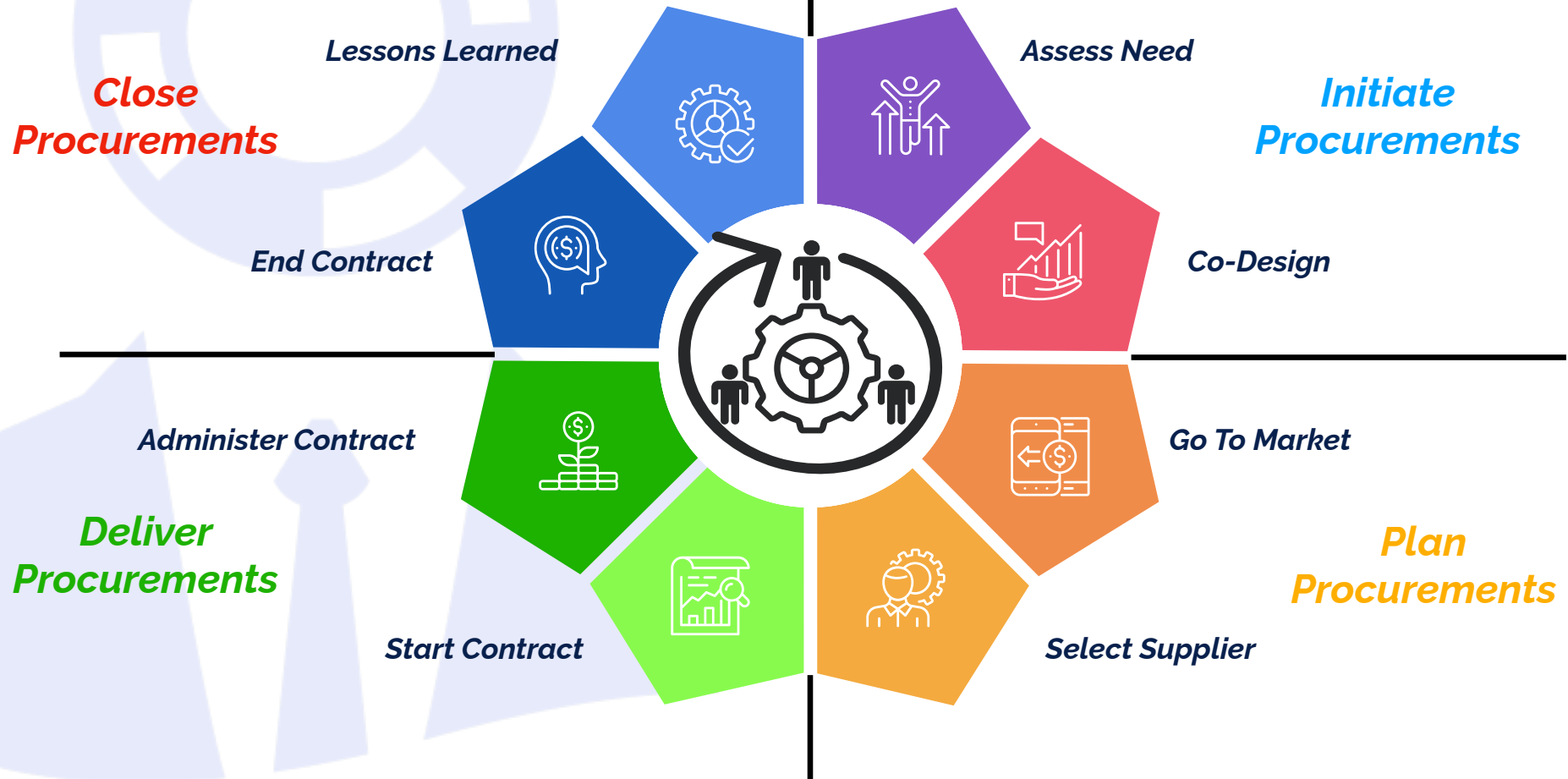
The Procurement Cycle

Initiate. Design. Procure. Close



The Procurement Cycle

Initiate. Design. Procure. Close

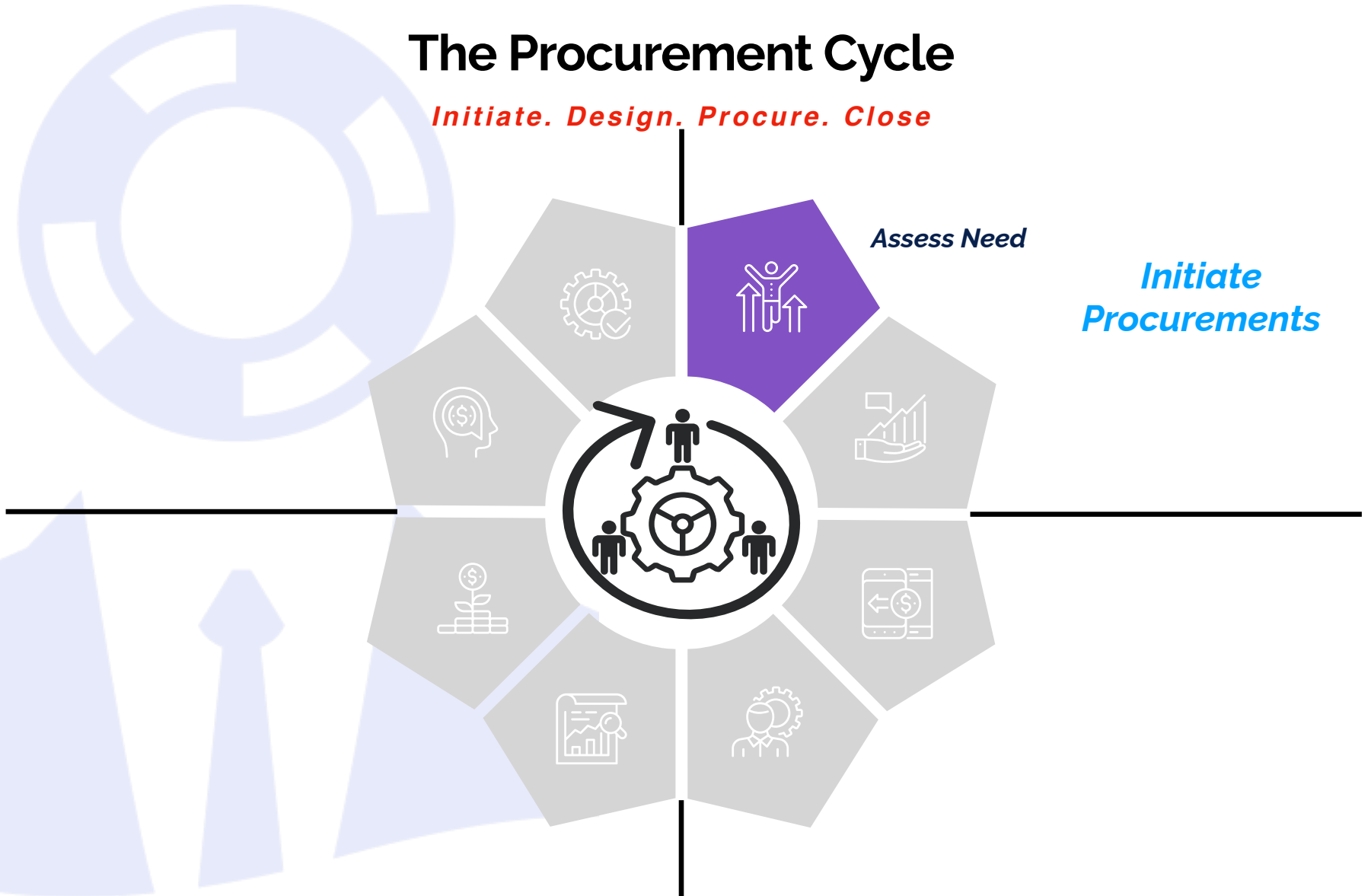


The Procurement Cycle

Initiate. Design. Procure. Close

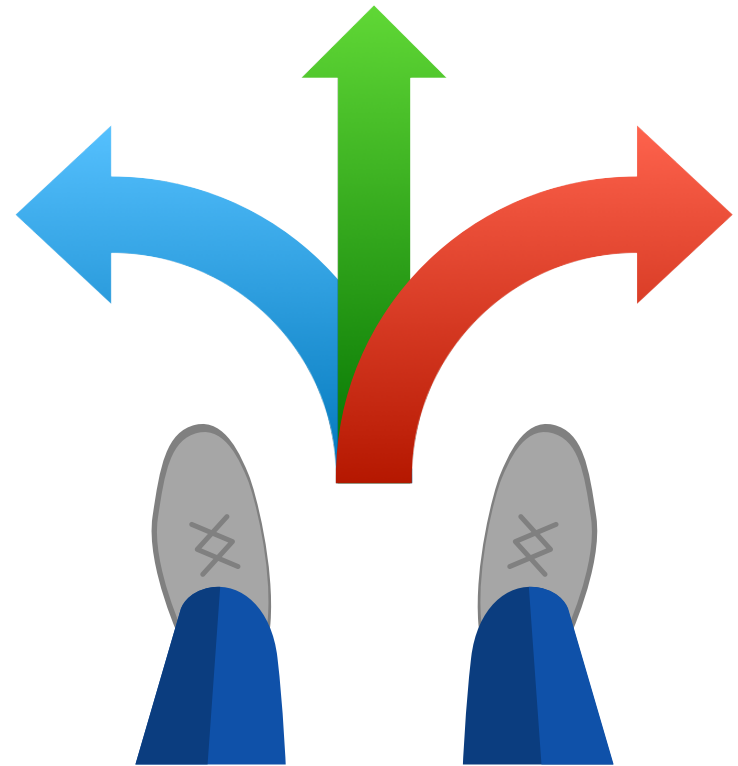
*Initiate
Procurements*

Assess Need



Needs Assessment

This is the **'make or buy'** business case

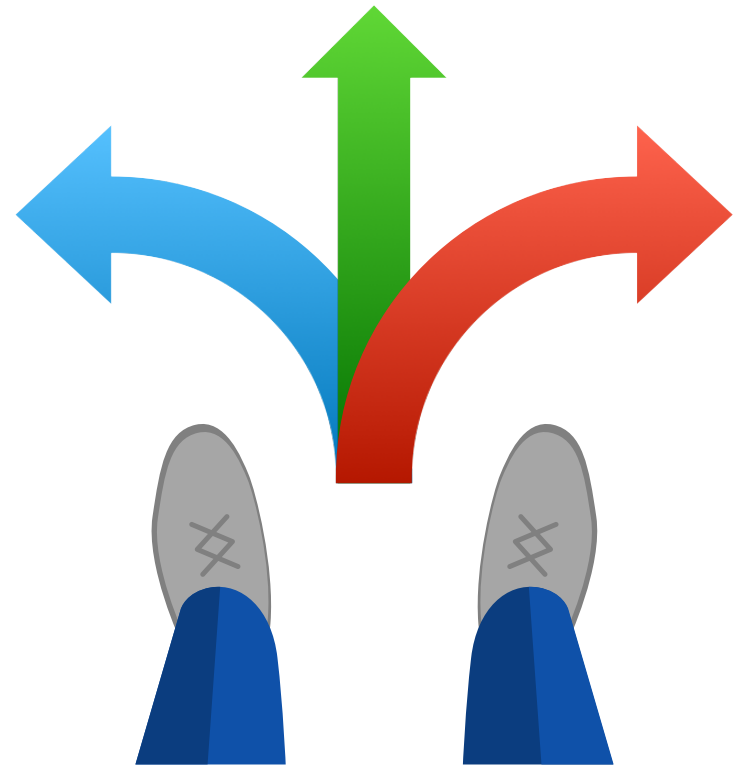


Needs Assessment

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*?

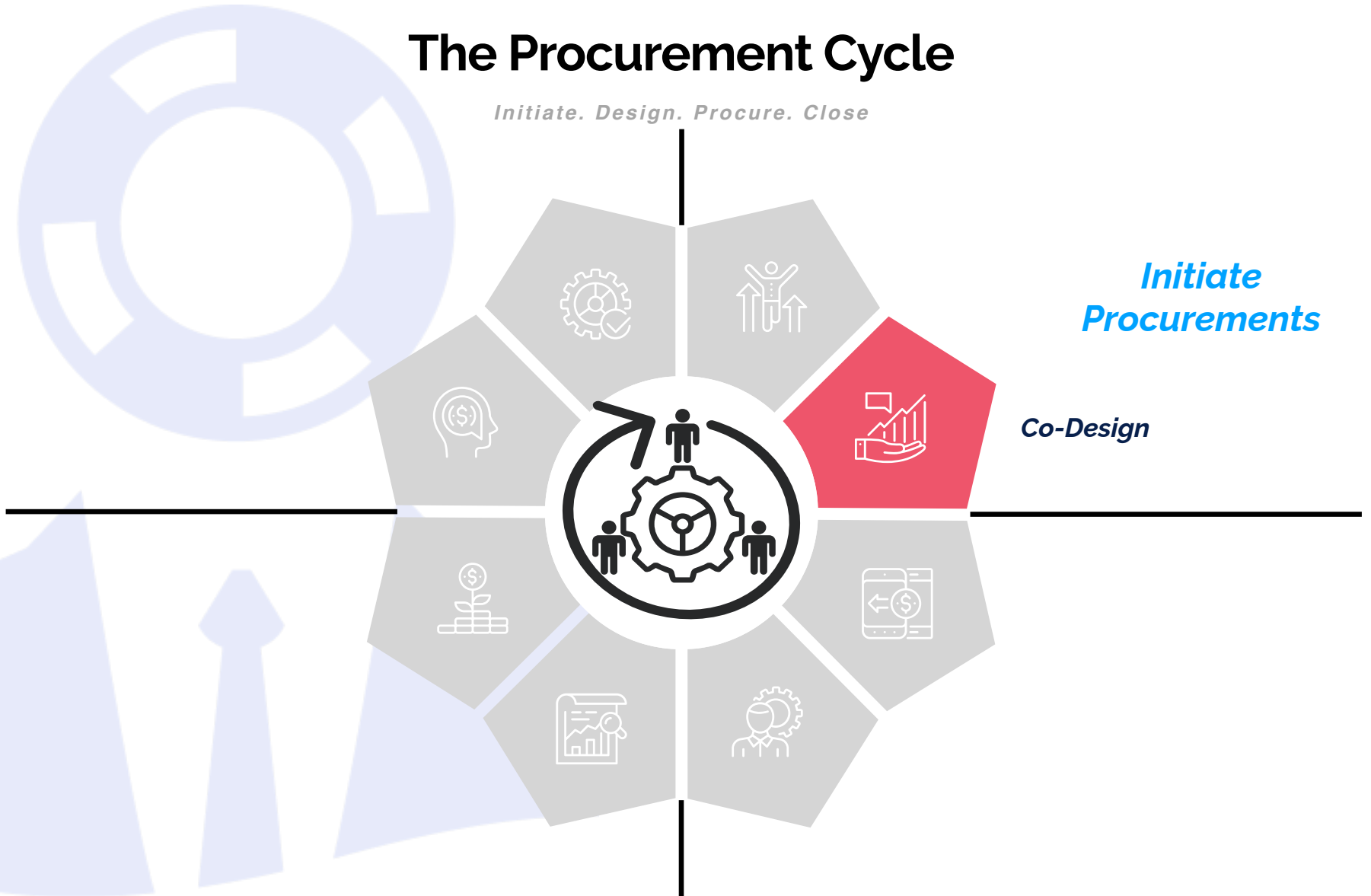


The Procurement Cycle

Initiate. Design. Procure. Close

***Initiate
Procurements***

Co-Design

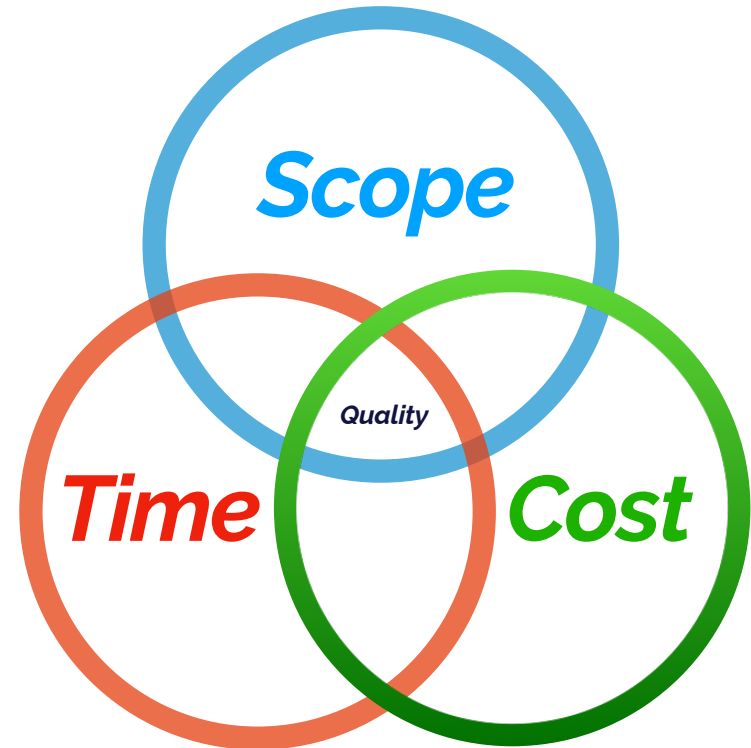


Co-Design

Engage stakeholders to scope procurement

Higher risk procurements require more detailed engagement

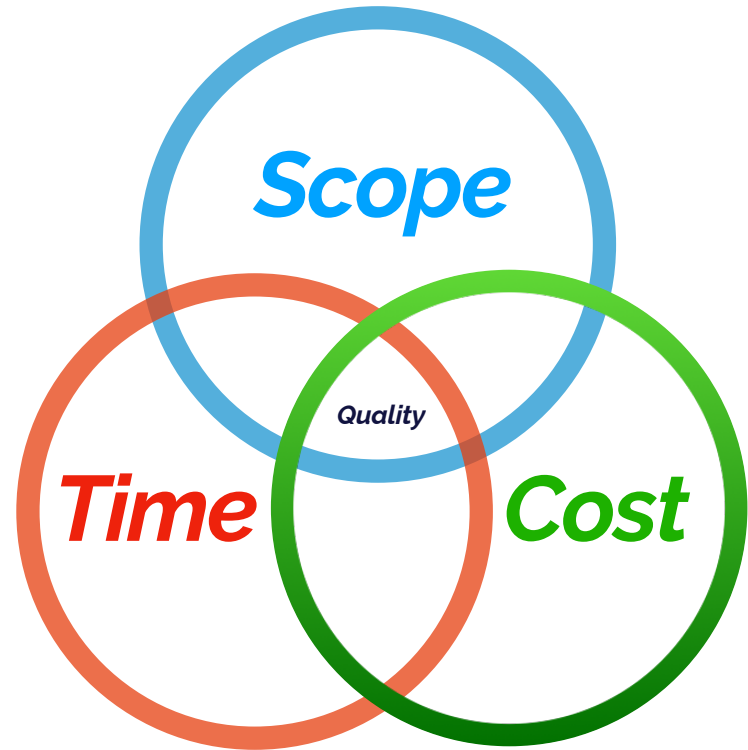
Align internal expectations to market capability (**scope, time and cost**)



Once again, Effective Stakeholder Engagement (ESHE) is key...

Co-Design

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



The Procurement Cycle

Initiate. Design. Procure. Close



Approaches to market

Expression of interest (EOI)

Request for quote (RFQ)

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



Expression of Interest (EOI)

Outcomes mostly known

Highly uncertain **scope**



Request For Quote (RFQ)

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

Typically a low risk procurement



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



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

Response guidelines

- **When & how to submit**



How should you manage requests for information (RFIs) once the EOI / RFP is sent?



Tender 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*)

Assesses eligibility of tenders (e.g. compliance)

Notifies successful (and unsuccessful) applicants

Captures actions and lessons learned



Procurement Policies

Formal and informal organizational procurement practices

Also includes:

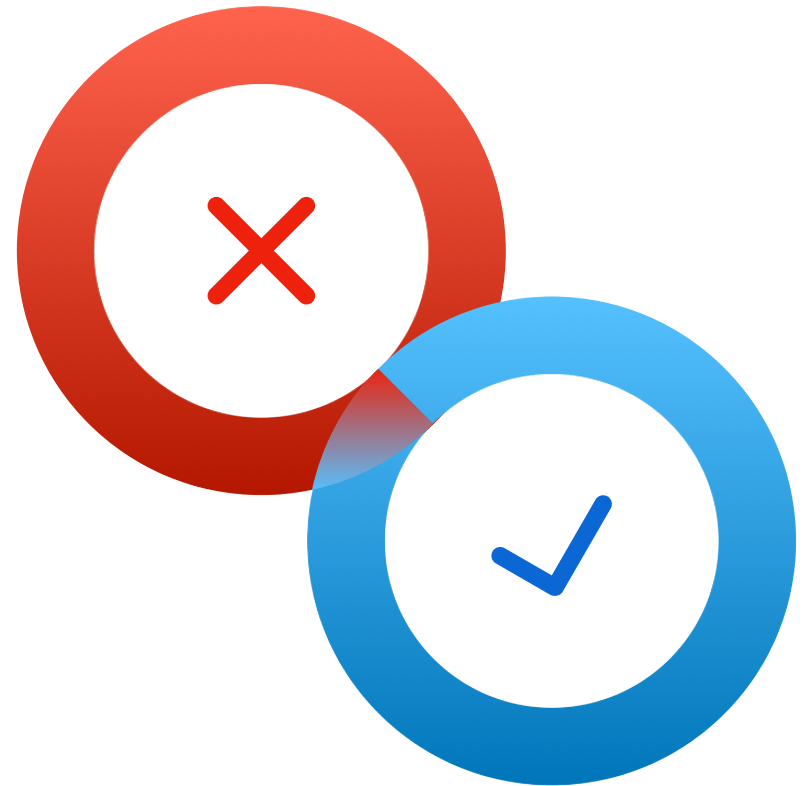
Delegated authorities

Competitive process

Preferred suppliers

Codes of conduct

Sustainability guidelines



Delegated authorities

Stakeholders 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?

Renewals

Expirations



Competitive Process

When can we direct purchase?

When should we get three quotes?

When should we go to tender?



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?



Market Feedback

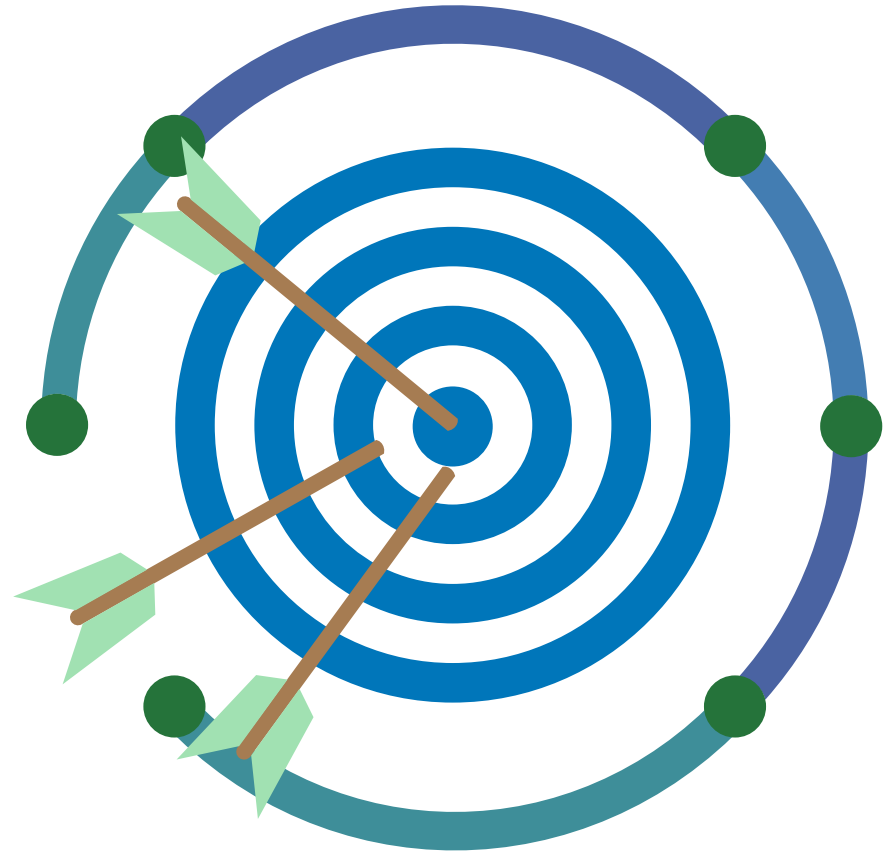
Notify unsuccessful tenderers

Giving feedback:

Improves quality of future responses

Provides surety that procurement process was fair and transparent

Helps them learn and grow as a business



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

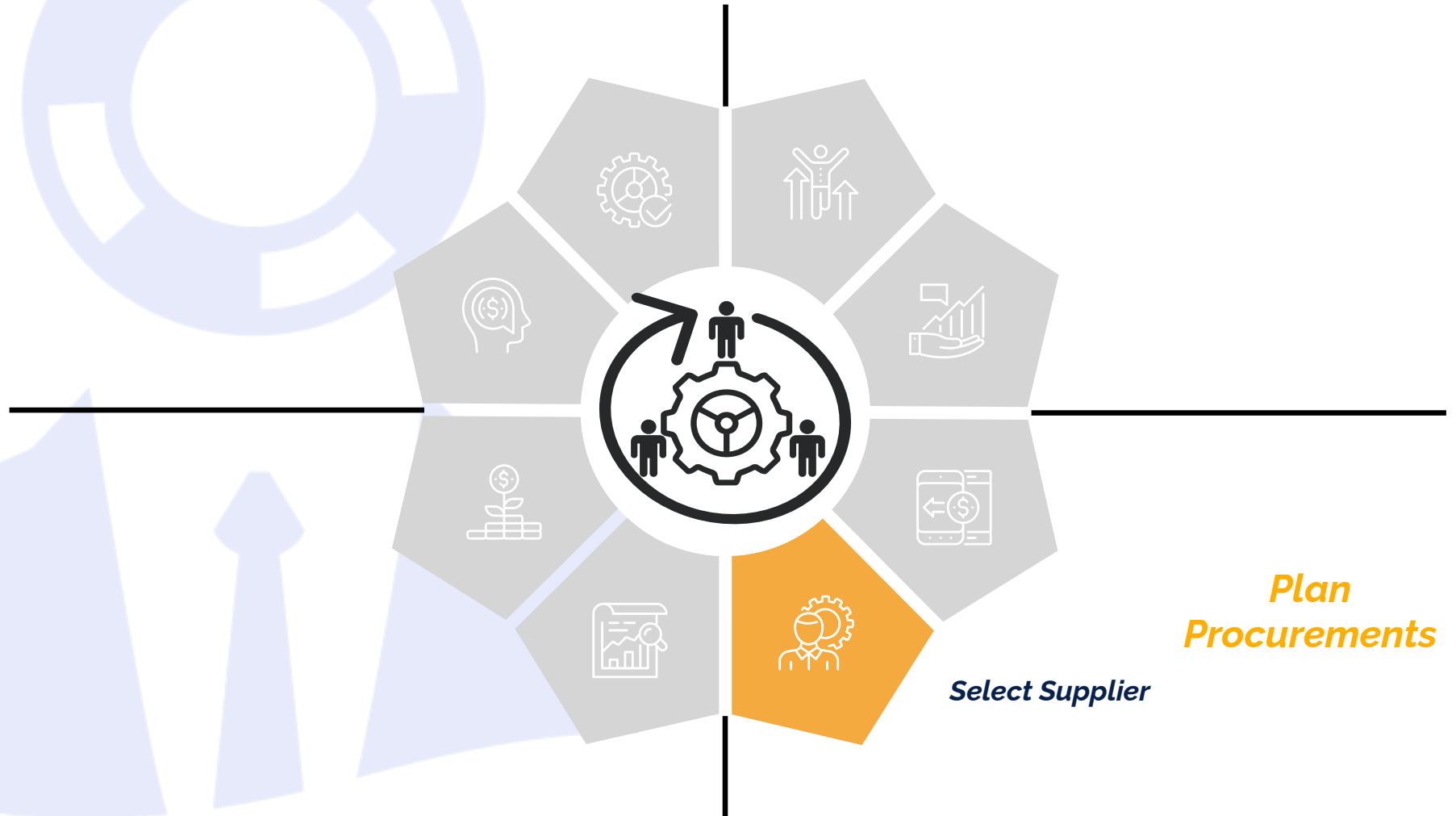
Contractors and vendors are also project stakeholders.

Did we identify them on our Stakeholder Register?



The Procurement Cycle

Initiate. Design. Procure. Close



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

Just tell them your budget?



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**

**Know the numbers
and how they will
impact your
project!**



Conflict of Interest



Conflict of Interest

What is it?

What do we do about
it?

How do we spot it?



How do we assess
supplier **quality**?



How do we assess supplier quality?

Understanding of need

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



Contracting Differentiators (Military and Government)

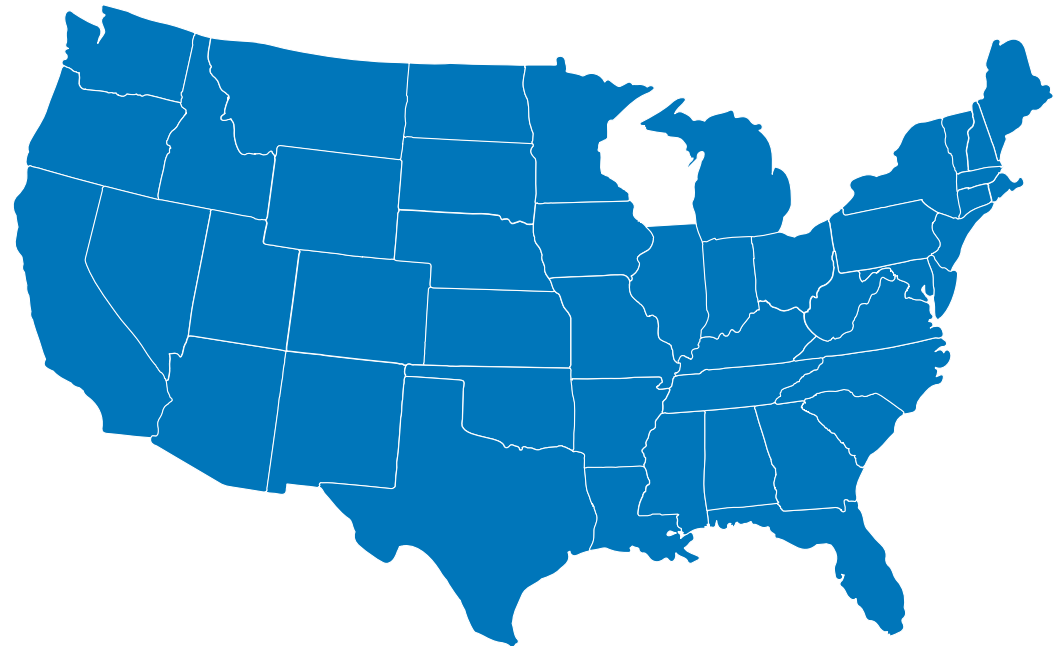
Women-Owned Small Business Federal Contracting. **5%+**

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

8(a) Business Development. **5%+**

HUBZone. **3%+**

All Small Mentor-Protégé Program.



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 1-5
1 = LOW 5 = HIGH

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**



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:

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.



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

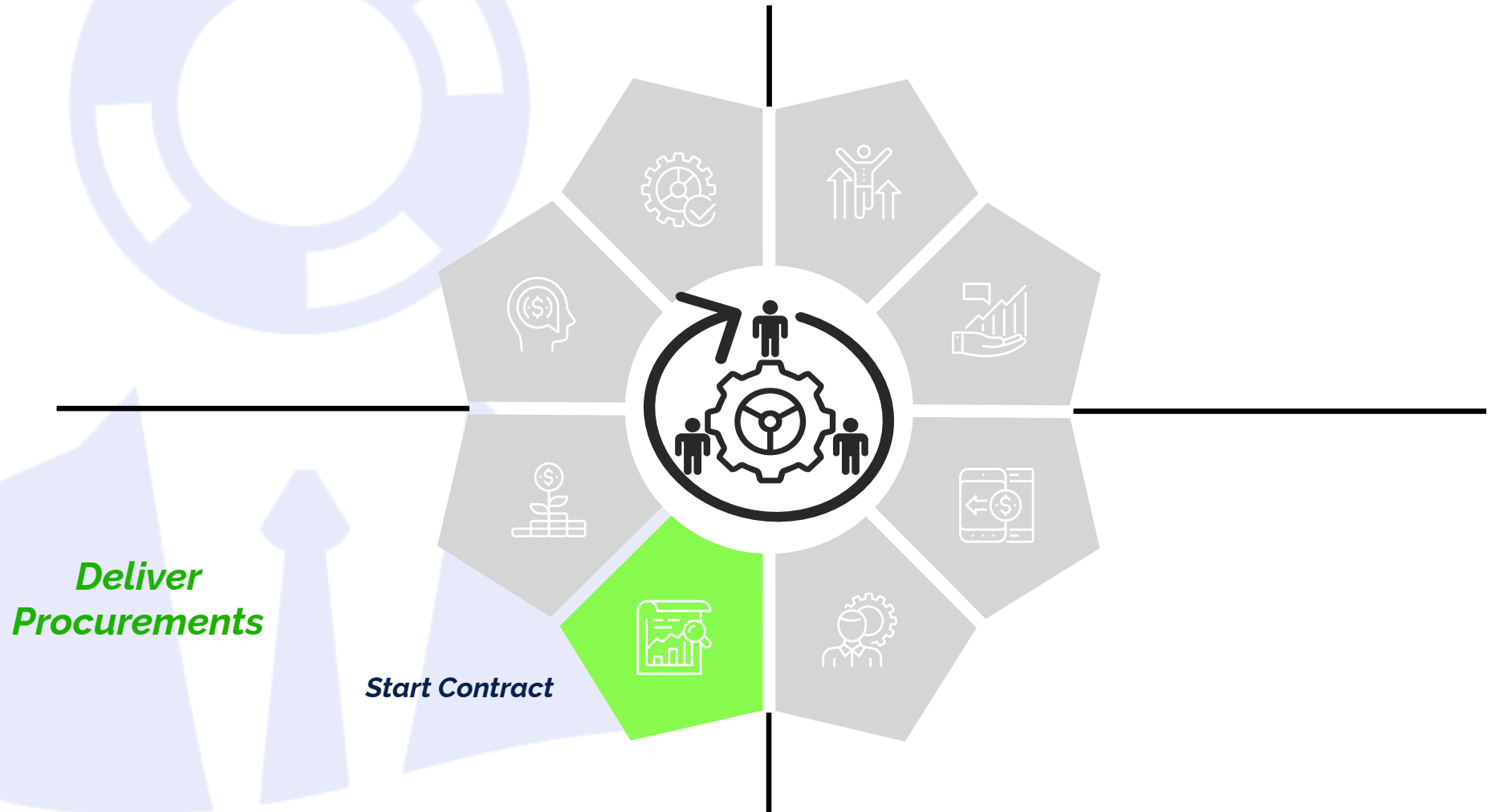
Pricing and Payment Terms

Inspection criteria & Acceptance criteria



The Procurement Cycle

Initiate. Design. Procure. Close





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.

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



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.

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



Fixed Price Contracts

Firm price for the work completed or items supplied.

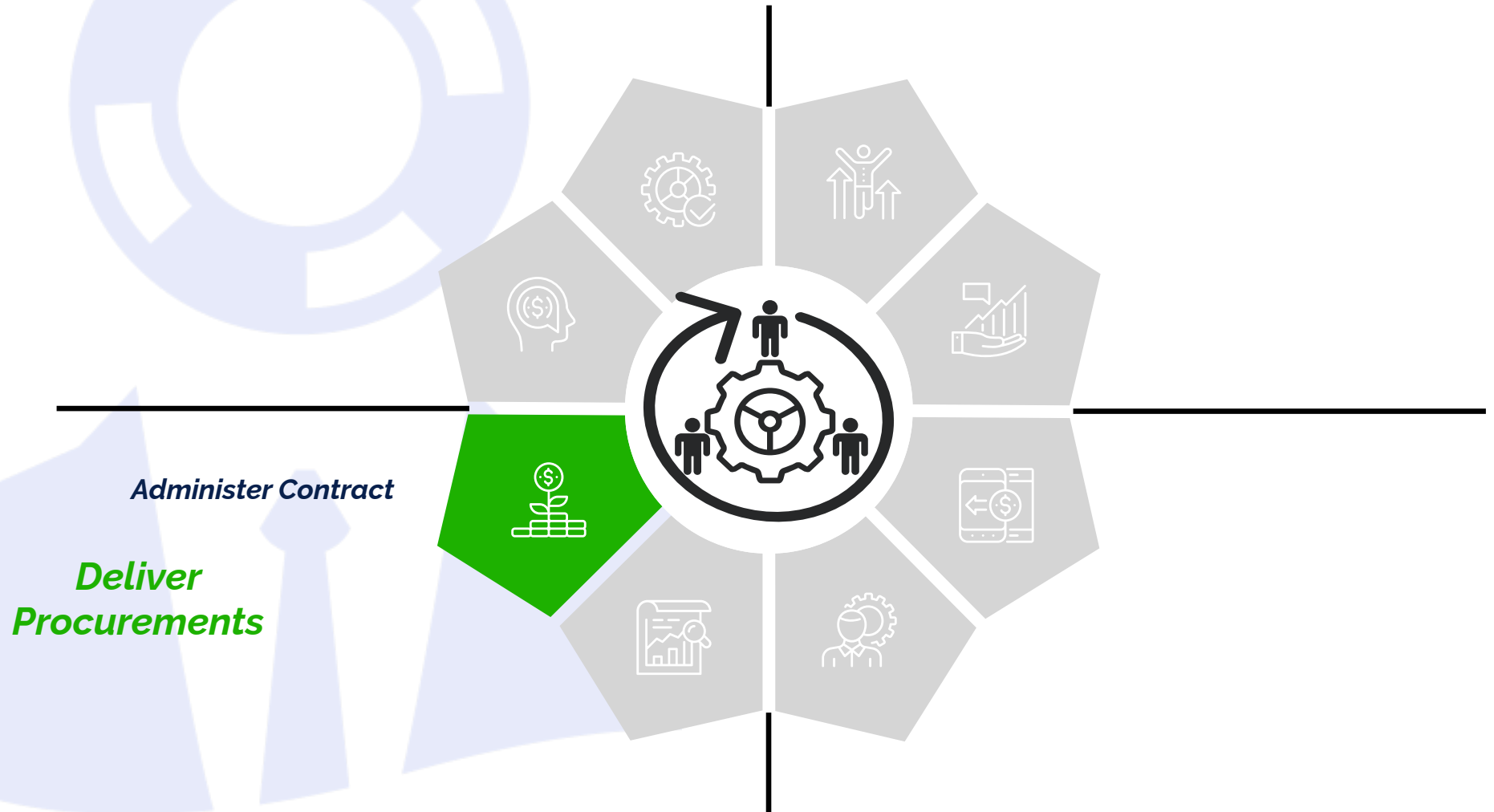
Fixed-price contracts are used by all federal agencies and generally provide a firm price for the work completed or items supplied.

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



The Procurement Cycle

Initiate. Design. Procure. Close



What could go wrong?

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



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)**



Alternative Dispute Resolution

In the 1990's the federal government promoted a new concept in effective government which encouraged cooperation, collaborative problem solving and the use of alternative dispute resolution to resolve claims by and against the government.

In 1996 Congress passed the Administrative Dispute Resolution Act (ADRA) which requires each agency to promote 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.

<https://adr.gov/>

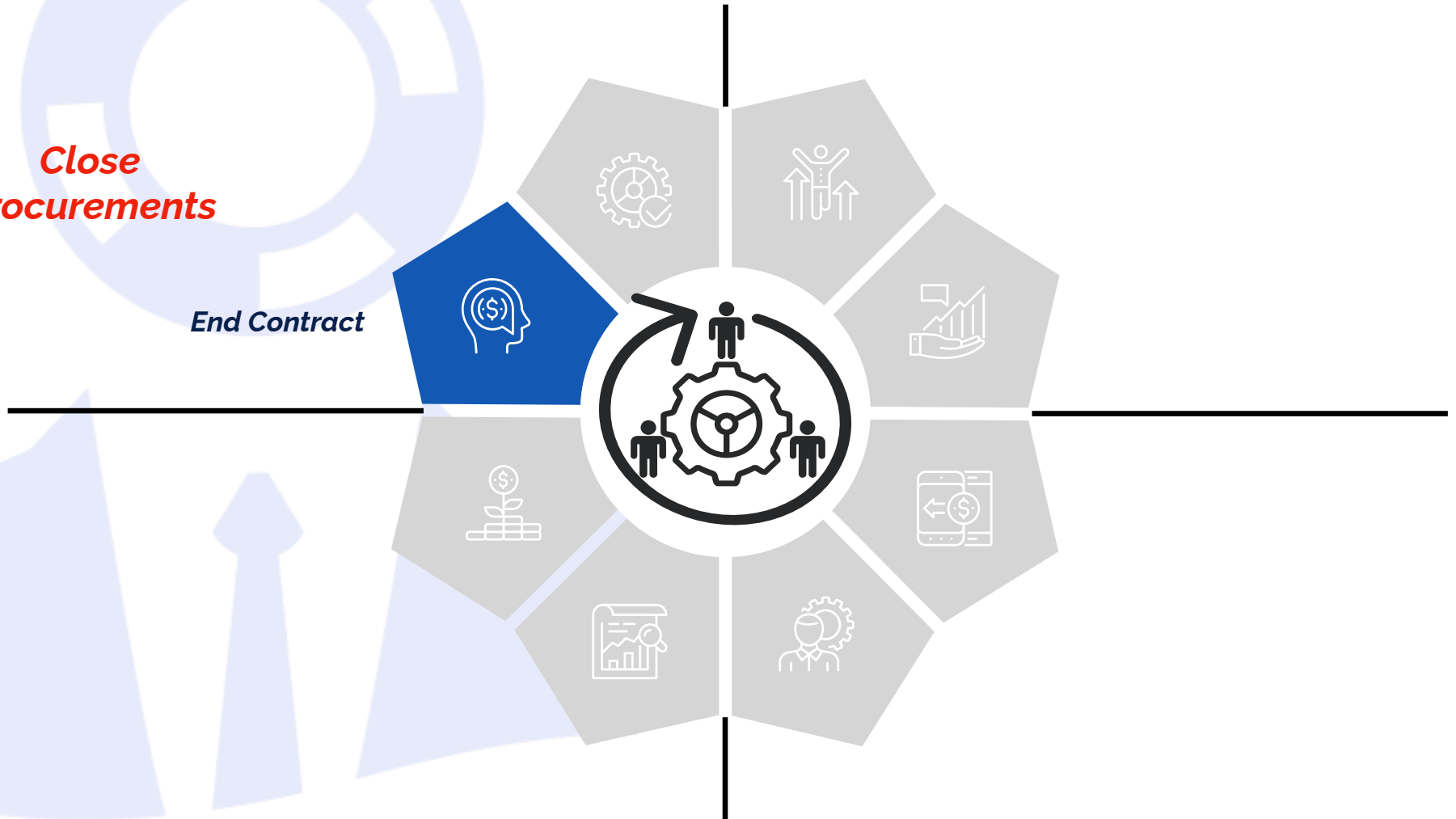


The Procurement Cycle

Initiate. Design. Procure. Close

**Close
Procurements**

End Contract



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)

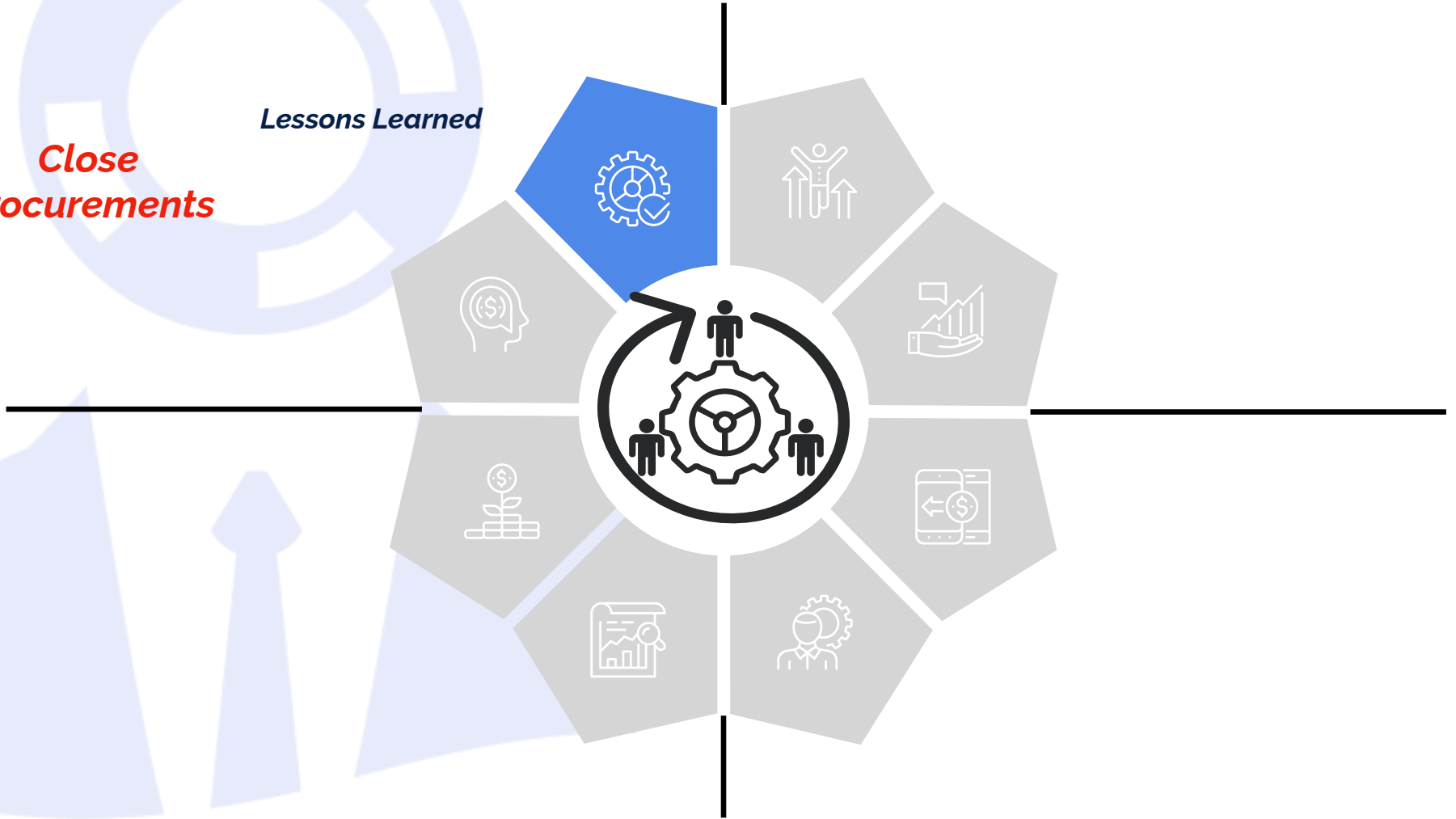


The Procurement Cycle

Initiate. Design. Procure. Close

Lessons Learned

**Close
Procurements**



Lessons Learned Register

LESSONS LEARNED LOG

Project Name:		DOL Coach Rewards Party				
National Center:		DOL Coach				
Project Manager Name:		Josh Cunio				
Project Description:		Throw a party to celebrate the high scheivers in the organization				
ID	Date Identified	Entered By	Subject	Situation	Recommendations & Comments	Follow-Up Needed?
1.7	01/17/21	Amber Cunio	Awards issue	Awards we wanted won't be ready in time, we need to choose another option	Next time, have multiple options chosen to avoid extra meetings, rank them in order of preference and provide to award supplier ahead of time.	Yes
1.5	01/21/21	Brittany Smith	Coordinating with DJ	The DJ doesn't want to play special music during the awards- he wants to use that as a break time	Amber recommended that he take a break right after the awards and set a mixed dance playlist to run without him for a few minutes.	No
1.6	01/20/21	Heather Kuhns	Menu options	The caterer can't obtain the fresh fruit and cheese for the platter as requested due to shortages caused by COVID. They are offering a replacmeent idea (vegies and dip) but we don't think people will like that as much.	As with the Award supplier, have suggested replacement items on hand at the signing of the contract so as to alleviate excessive meetings and rearranging of menu. Go with cookies instead.	Yes
1.8	02/10/21	Scott Kinder	Andrew Holycross	Andrew is not putting updates in Monday.com, and tracking of RSVPs is scattered at best. He is also reluctant to assist the rest of the team and his negativity is impacting the morale.	For the next project, put Andrew in a different role with more responsibility and have a coonversation w ith him about expectations and performance evaluations.	Yes
1.4	03/15/21	Josh Cunio	Party tanked	We were totally set up for success, and everything was finally in place for a great party. But the attendees who didn't get an award for high performance got upset and a fist fight broke out...	Talk with possible troublemakers prior to the party and caution them against misbehavior. Explain before announcing the award winners the criteria for receiving an award and encourage everyone to strive for recognition next year. Take Vincent and Jordan aside at work the next day and have a performance discussion.	Yes
1.1	02/14/21	Heather Kuhns	Business case	No identified need was established for the party. No budget was allocated - this whole event was predicated by nothing more than an idea and an email.	Make sure we have a process in place to ensure our money is best being spent and people are being protected	Yes
1.2	02/17/21	Scott Kinder	Jordan Conrad	Jordan is actively opposed to the party and trying to get people in his department to also oppose it	Talk with Jordan and do a better job in the future of showing the "why" behind our ideas and efforts	No
1.3	03/01/21	DeVon Hankins	Finances	The original idea was that the party would cost between 5-10k (see PCC) but in the end we will end up spending almost \$20k	Establish a better business case for ideas such as this in the future.	Yes



Take-aways from Procurement

- ◆ 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



Questions?

