

Procurement Best Practices:

Lead to Procurement Best Value

Maximize Effectiveness
Minimize Waste

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What is it that we do; procure goods and services?

Right quality
Right quantity
Right time
Right place
Right supplier
Right price (fair price)
Right terms and conditions
How do we do this?

By Utilizing Procurement Best Practices:

Writing Specifications
Solicitation Development
Evaluation Criteria
Total Cost of Ownership
Risk Management

This is how we add value to the process.

Needs, Requirements Analysis

- Who are the stakeholders?
- What are their needs?
- Are there any cross functional needs?

Not all end users and stakeholders will have the same needs. To determine the end user needs, you will have to ask questions.

The Questions

- What do you need to accomplish?
- Is this a new function or need? If not, how have you achieved this in the past?
- How many people or departments will utilize this procurement?
- Who are the stakeholders?
- Have you done any Market Research?
- When do you need this?
- Are there any compliance, code or environmental impacts

More Questions

- Have you considered alternatives?
- What are the risks or consequences associated with this.
- Will you need any inventory or spare parts with this?
- What are the expected consumables associated with this procurement?
- Will you need any technical support or repairs?
- What is the expected life of this procurement?
- What do you think we can do with this at the end of its useful life?

Warranties

Include in your specification requirements any warranties you feel would be advantageous to your agency. But do your research. Don't ask for a warranty that the industry can not provide. Be demanding, but not impossible.

Market Research

In order to accomplish TCO, and Best Value, you must do market research. With our modern search engines, this has gotten much easier. But if you exercise Supplier Management and Commodity Management, you will already have the means to do market research.

We have a duty to be "Good Stewards" of the funds we manage.

That is why "Best Value Procurement" is essential to demonstrate that we accomplish this. Best Value Procurement, and Total Cost of Ownership (Life-Cycle Costing) considers the costs and benefits for the entire life of the procurement.

TCO Considerations

- Purchase price
- Transportation, distance and method
- Operations and Maintenance cost; manpower, technical training, spare parts, inventory
- Intended operational life
- Cost of downtime
- Integration with existing systems
- Consumables; energy-resources-efficiency
- Environmental attributes-impacts
- Return on investment
- Upgrades, timely support, repairs
- Warranty
- Disposal

Keep Focused

Keep in mind that all of this work and information will lead into a solicitation and an ensuing contract.

What kind of solicitation? What kind of contract?

It takes time.

Both Sides

- Understand the clients needs.
- Research what the market has to offer.
- Supply and demand: Timing
- Use language and terminology that the suppliers will understand
- Industry standards will help: NEMA

Evaluation Criteria:

After determining the end user needs, and doing market research, and TCO; you should be able to develop "solicitation-Contract Award Criteria". What is important? How will you measure it?

This should allow you to maximize competition and maintain objectivity.

Foundation

Specifications are the basis of the Statement of Work. The Statement of Work is the **FOUNDATION** of the agreement or contract.

Procurement Risk Management:

- SOW/Proposal Risk
- Surety/Liability Risk
- Schedule Risk
- Contractual Risk
- Performance Risk
- Price Risk

Scheduling Risk

Ensuring Timely Delivery

Language should be specific about deliverables, delivery terms, milestones and penalties.

- Performance Incentives/Lack of Performance Penalties. Carrot & Stick
- Liquidated Damages
- Inspection & Testing

Performance Risk Determining Acceptance

Language can include testing requirements prior to acceptance; i.e. ASTM, ICBO. And supplier qualifications.

- Require licenses, references, training
- In-Process testing
- Final Inspection
- Sampling Inspection
- First Article Testing

Protect Yourself; CYA

- Performance Guaranty
- Performance Bond
- Payment Bond
- Liability Insurance
- Liquidated Damages