



PROCUREMENT PRACTICES FOR PMS

Course Material

The purpose of this course is to provide an understanding of the management of procurement activities throughout the project lifecycle. The Procurement Management Knowledge Area of the PMBOK® Guide will be used to establish the procurement framework. The State of Georgia procurement process and GTA's Request for Solution (RFS) process will be mapped to the PMBOK® Guide Procurement Management processes. The students will learn all aspects of the procurement management process including understanding the relationship of the buyer and seller, determining the correct contract type for each procurement situation, selecting a seller and monitoring and controlling the execution of the contract. These concepts are discussed as they would be encountered across the project management processes and project lifecycle. This helps the students better understand how to apply procurement concepts and techniques across their real-life projects.

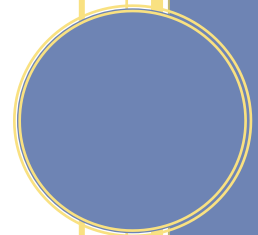


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Course Agenda

Day 1	Day2
8:30 – 9:00 Personal Introductions	8:30 – 9:00 Review
9:00 - 10:00 Intro to Project Procurement	9:00 - 9:45 The RFS Process (GETS)
10:00 - 10:15 BREAK	9:45 - 10:00 BREAK
10:15 - 11:30 Planning for Procurement	10:00 - 11:30 The RFS Process (GETS)
11:30 - 12:30 LUNCH	11:30 - 12:30 LUNCH
12:30 - 1:45 Planning for Procurement	12:30 - 2:15 Controlling Procurements
1:45 - 2:00 Conducting Procurements	2:15 - 2:30 BREAK
2:00 - 2:15 BREAK	2:30 - 3:30 Closing Procurements
2:15 - 4:00 Conducting Procurements	3:30 - 4:00 Exam and Evaluation

LESSON 1: INTRODUCTION TO PROJECT PROCUREMENT

Topic 1: Overview of Project Procurement Management

Topic 2: State of Georgia Procurement Processes

Topic 3: Mapping *PMBOK® Guide* to State of Georgia Processes

Topic 4: Engaging with the Georgia Technology Authority

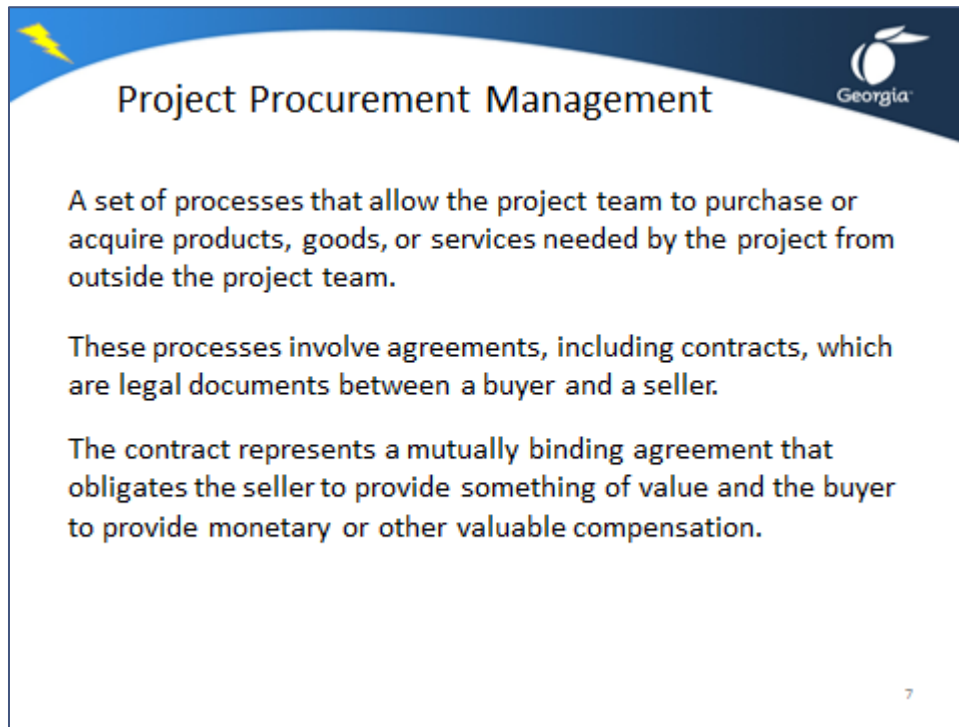
Student Learning Objectives

After completing this lesson you should be able to

- Understand the definition of Project Procurement Management
- Identify the processes within the Project Procurement Management Knowledge Area
- Identify the stages of the State of Georgia Procurement Process
- Understand the high level mapping of *PMBOK® Guide* and State processes

Approximate Presentation time: 1 hour

Topic 1: Overview of Project Procurement Management



Project Procurement Management

A set of processes that allow the project team to purchase or acquire products, goods, or services needed by the project from outside the project team.

These processes involve agreements, including contracts, which are legal documents between a buyer and a seller.

The contract represents a mutually binding agreement that obligates the seller to provide something of value and the buyer to provide monetary or other valuable compensation.

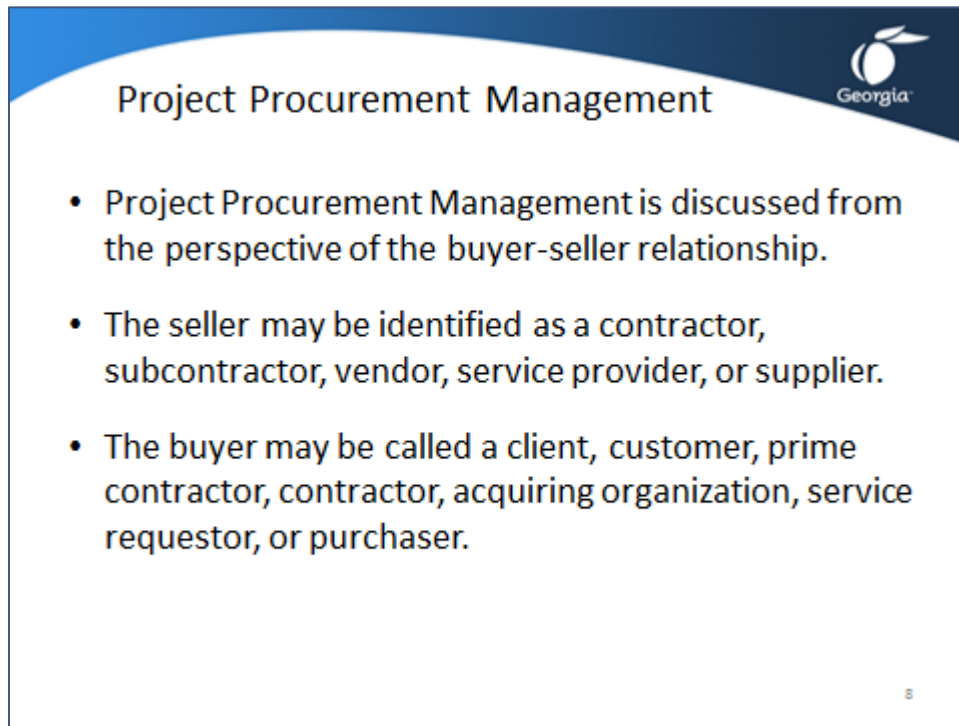
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Project Procurement Management is a set of processes that allow the project team to purchase or acquire products, goods, or services needed by the project from outside the project team. Processes for contract management and change control are also included in order to administer contracts issued by authorized project team members.

The Project Procurement Management processes involve agreements, including contracts, which are legal documents between a buyer and a seller. The contract represents a mutually binding agreement that obligates the seller to provide something of value and obligates the buyer to provide monetary or other valuable compensation.

Most organizations document policies and procedures specifically defining the procurement rules and specifying who has authority to sign and administer such agreements on behalf of the organization.

Topic 1: Project Procurement Management



Project Procurement Management

- Project Procurement Management is discussed from the perspective of the buyer-seller relationship.
- The seller may be identified as a contractor, subcontractor, vendor, service provider, or supplier.
- The buyer may be called a client, customer, prime contractor, contractor, acquiring organization, service requestor, or purchaser.

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Project Procurement Management is discussed from the perspective of the buyer-seller relationship. The buyer-seller may exist at many levels on any one project, and between organizations internal to and external to the acquiring organization. The seller may be identified as a contractor, subcontractor, vendor, service provider, or supplier. The buyer may be called a client, customer, prime contractor, contractor, acquiring organization, service requestor, or purchaser. The seller can be viewed during the contract life cycle first as a bidder, then as the selected source, and then as the contracted supplier or vendor.

Topic 1: Project Procurement Management



Project Procurement Management

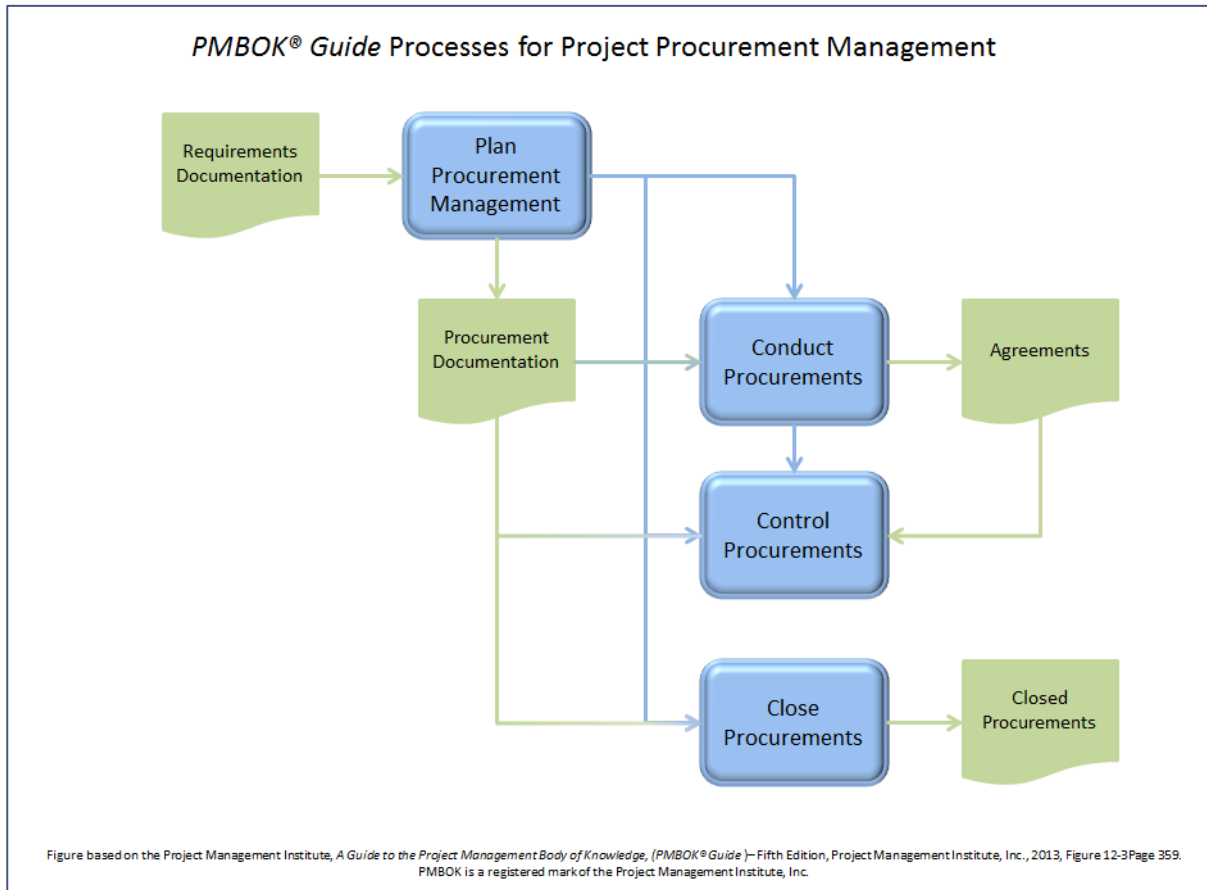
- **Plan Procurement Management** – document project procurement decisions, specify the approach, and identify potential sellers
- **Conduct Procurements** – obtain seller responses, select a seller, and award a contract
- **Control Procurements** – manage procurement relationships, monitor contract performance, and make changes and corrections
- **Close Procurements** – complete all procurements

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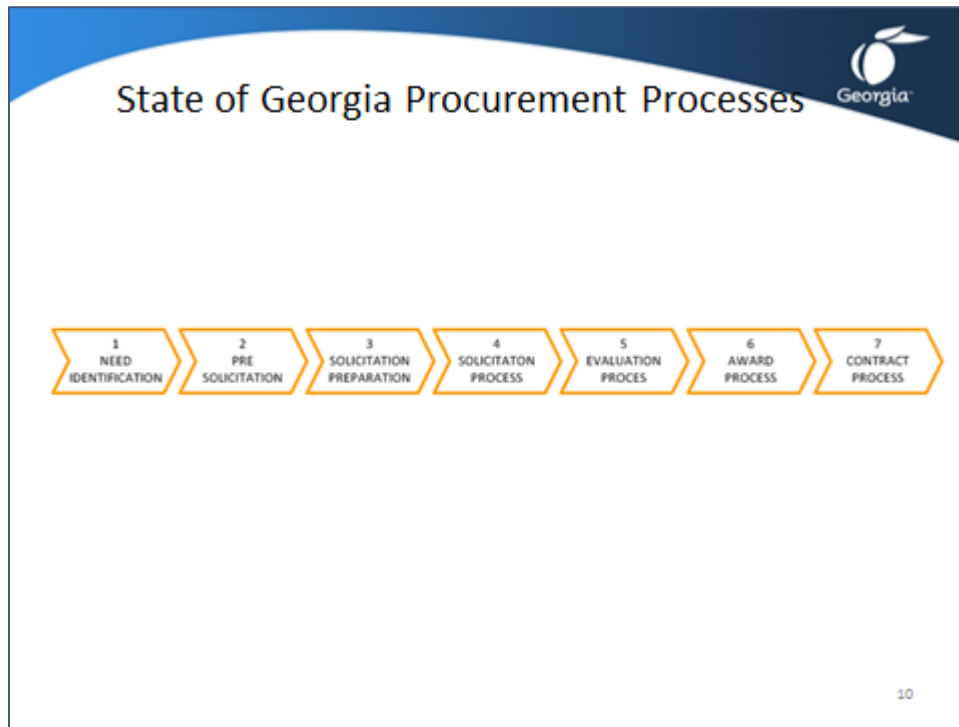
There are four primary processes in the Project Procurement lifecycle. These are identified in the *PMBOK Guide*® in the Project Procurement Management Knowledge Area.

- **Plan Procurement Management** – the process of documenting project procurement decisions, specifying the approach, and identifying potential sellers. This process determines whether to acquire outside support, what to acquire, how to acquire it, how much is needed, and when to acquire it.
- **Conduct Procurements** – the process of obtaining seller responses, selecting a seller, and awarding a contract. This process provides alignment of internal and external stakeholder expectations through established agreements.
- **Control Procurements** – the process of managing procurement relationships, monitoring contract performance, and making changes and corrections to contracts as appropriate. This process ensures that both the seller's and buyer's performance meets procurement requirements according to the terms of the legal agreement.
- **Close Procurements** – the process of completing procurements. This process documents agreements and related documentation for future reference.

Topic 1: Project Procurement Management



Topic 2: State of Georgia Procurement Processes



State of Georgia Seven Stages of Procurement Methodology

This process provides the administrative rules governing the purchasing activities of all state government entities subject to DOAS' authority pursuant to the State Purchasing Act (Official Code of Georgia Annotated (O.C.G.A.) Section 50-5-50 et seq.), including state offices, agencies, departments, boards, commissions, institutions, and other entities of the state unless specifically exempted by statute or regulation.

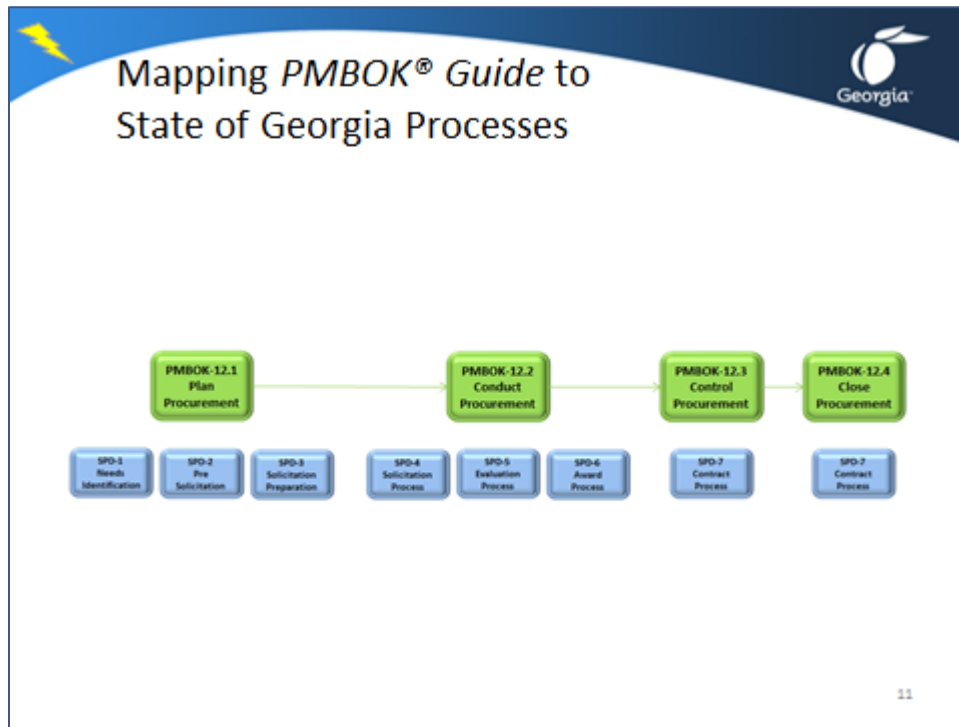
The *Seven Stages of Procurement Methodology* organizes the procurement process into a series of steps from the time the state entity first identifies a needed good or service through contract award and contract administration. The following graphic illustrates the seven stages of procurement that make up the *Seven Stages of Procurement Methodology*.



You can find the Seven Stages in the Georgia Procurement Manual online via the link below.

http://pur.doas.ga.gov/gpm/MyWebHelp/GPM_Main_File.htm

Topic 3: Mapping *PMBOK® Guide* to State of Georgia Processes



The Seven Stages of Procurement Methodology is the process project managers must follow when considering an acquisition for their project. This course will map the state's process to the processes identified in the Procurement Management Knowledge Area. The following pages describe the mapping that will be followed throughout this course.

PLAN PROCUREMENT MANGEMENT

- Stage 1: Needs Identification
- Stage 2: Pre-Solicitation
- Stage 3: Solicitation Preparation

CONDUCT PROCUREMENTS

- Stage 4: Solicitation Process
- Stage 5: Evaluation Process
- Stage 6: Award Process

CONTROL PROCUREMENTS

- Stage 7: Contract Process

CLOSE PROCUREMENTS

- Stage 7: Contract Process

Topic 4: Engaging with the Georgia Technology Authority



Engaging with GTA

- An APR is required for technology projects costing over \$100,000
- Contact the Investment Manager within the EPMO at GTA for assistance and guidance
- The agency must file an exemption request to any state technology standards that apply
- Particular wording must be contained in a procurement document for technology projects
- DOAS and GTA will review procurement documents for compliance to technology standards before release

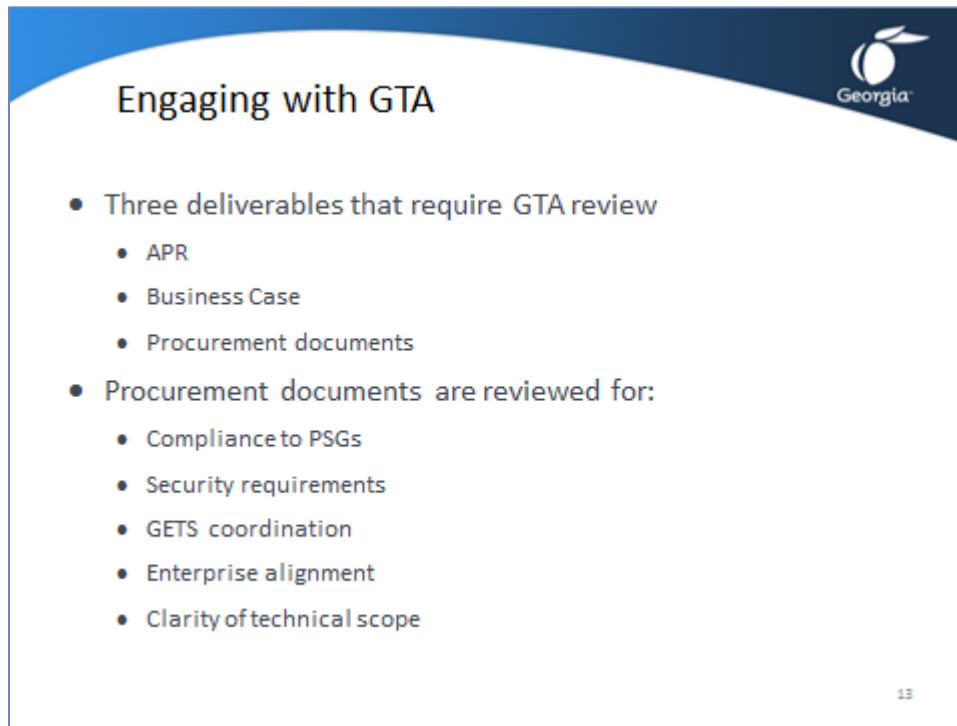
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In the initiating phase of the project the agency may determine that a procurement requiring a technology component may be needed. The technology could include new or upgraded application software and/or server/network infrastructure. If this is the case, the agency should contact the Investment Manager in the Enterprise Portfolio Management Office at the Georgia Technology Authority (GTA). The Investment Manager will assist the agency in completing the APR document which will give GTA awareness that a technology investment is getting underway. For any investment containing a technology investment over \$100,000 this is a required activity. The agency is also responsible for filing requests for exemption from state technology standards.

During the procurement process the agency will be able to utilize the assistance of the EPMO to guide them through the technology components of their procurement. This may include assistance in wording the RFP for various technology standards, infrastructure requirements, and project management approaches by third-party vendors, as well as, assistance identifying the project integrator role if needed.

Before DOAS will begin advertising the RFP, GTA will review the technology components for consistency and compliance to state technology standards. DOAS will also validate that the APR has been submitted before the RFP is released.

Topic 4: Engaging with the Georgia Technology Authority



Engaging with GTA

- Three deliverables that require GTA review
 - APR
 - Business Case
 - Procurement documents
- Procurement documents are reviewed for:
 - Compliance to PSGs
 - Security requirements
 - GETS coordination
 - Enterprise alignment
 - Clarity of technical scope

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There are three deliverables created during the Initiating and Planning phases that require GTA review; the APR, Business Case, and Procurement Documents. In each instance the agency will review some form of written response from GTA with an evaluation, questions and/or recommendations.

GTA, Agency Procurement Personnel, DOAS State Purchasing Staff, and OPB are all partners in the review of these documents.

The APR and Business Case are reviewed by the Technology Investment Consultant. Procurement documents are reviewed by a team of SMEs who submit recommendations to the State Technology Officer. He/she either rejects or endorses the procurement from an enterprise technology perspective and provides a formal response to the Business Owner. In some instances, these reviews are escalated to the State CIO, who will correspond with the agency commissioner. The review items for procurement documents are listed below.

- Compliance with state Policies, Standards, and Guidelines (PSGs):
 - Is boilerplate language included in mandatory requirements?
 - Has agency stated desire to be exempt from specific PSG's?
- Security review:
 - Is State-required language included in RFP?
 - Has agency ISO signed-off on security requirements?
- GETS coordination
 - Are GETS documents included?

- Are time requirements consistent with GETS lead times?
 - Have Infrastructure Service Providers been provided input to Technical Requirements?
- Enterprise Alignment:
 - Will proposed solution leverage existing technologies?
- Clarity of Technical Scope:

Exercise 1.1: High Level Procurement Process Mapping

Instructions:

Review the terms in the table below and match each term to its definition.

	?	Term	Definition
1.		Plan Procurement Management	A. a contractor, subcontractor, vendor, service provider, or supplier
2.		Seller	B. Conduct Procurements
3.		PMBOK Close Procurements maps to which State process	C. represents a mutually binding agreement that obligates the seller to provide something of value and obligates the buyer to provide monetary or other valuable compensation.
4.		Buyer	D. Conduct Procurements
5.		The Georgia Procurement Manual	E. the process of documenting project procurement decisions, specifying the approach, and identifying potential sellers
6.		Project Procurement Management	F. a client, customer, prime contractor, contractor, acquiring organization, service requestor, or purchaser
7.		Stage 4 of the State process maps to which PMBOK process?	G. Stage 7 Contract Process
8.		Contract	H. the process of obtaining seller responses, selecting a seller, and awarding a contract.
9.		Conduct Procurements	I. allows the project team to purchase or acquire products, goods, or services needed by the project from outside the project team
10.		Stage 6 Award Process	J. Contains the Seven Stages of Procurement Methodology

Lesson 1 Summary: Learning Objectives Recap

- **Understand the Definition of Project Procurement Management**
Project Procurement Management is a set of processes that allow the project team to purchase or acquire products, goods, or services needed by the project from outside the project team.
- **Identify the Processes within the Project Procurement Management Knowledge Area**
 - **Plan Procurement Management** – the process of documenting project procurement decisions, specifying the approach, and identifying potential sellers. This process determines whether to acquire outside support, what to acquire, how to acquire it, how much is needed, and when to acquire it.
 - **Conduct Procurements** – the process of obtaining seller responses, selecting a seller, and awarding a contract. This process provides alignment of internal and external stakeholder expectations through established agreements.
 - **Control Procurements** – the process of managing procurement relationships, monitoring contract performance, and making changes and corrections to contracts as appropriate. This process ensures that both the seller's and buyer's performance meets procurement requirements according to the terms of the legal agreement.
 - **Close Procurements** – the process of completing procurements. This process documents agreements and related documentation for future reference.
- **Identify the Stages of the State of Georgia Procurement Process**
 - Stage 1: Needs Identification
 - Stage 2: Pre-Solicitation
 - Stage 3: Solicitation Preparation
 - Stage 4: Solicitation Process
 - Stage 5: Evaluation Process
 - Stage 6: Award Process
 - Stage 7: Contract Process
- **Understand the High-level Mapping of PMBOK® Guide and State Processes**
 - **PLAN PROCUREMENT MANGEMENT**
 - Stage 1: Needs Identification
 - Stage 2: Pre-Solicitation
 - Stage 3: Solicitation Preparation
 - **CONDUCT PROCUREMENTS**
 - Stage 4: Solicitation Process
 - Stage 5: Evaluation Process
 - Stage 6: Award Process
 - **CONTROL PROCUREMENTS**
 - Stage 7: Contract Process
 - **CLOSE PROCUREMENTS**
 - Stage 7: Contract Process

LESSON 2: PLANNING FOR PROCUREMENT

Topic 1: Plan Procurement Management

Topic 2: Needs Identification

Topic 3: Pre-Solicitation

Topic 4: Solicitation Preparation

Student Learning Objectives

After completing this lesson you should be able to

- Understand the Project Procurement Management Plan
- Understand the types of contracts used in a procurement
- Understand the various procurement documents available to use
- Understand the three stages of the State Procurement process associated with Plan Procurement Management

Approximate Presentation time: 2.5 hours

Topic 1: Plan Procurement Management



Plan Procurement Management

- Documents procurement decisions
- Specifies the procurement approach
- Identifies potential sellers
- Identifies those project needs that can best be met by acquiring products, services, or results outside the project organization.

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Plan Procurement Management is the process of documenting project procurement decisions, specifying the approach, and identifying potential sellers. It determines whether to acquire outside support, what to acquire, how to acquire it, how much is needed, and when to acquire it.

This process also includes evaluation of potential sellers. Other items to consider include the requirements of the project schedule and how that could influence procurement strategies.

The inputs, outputs, and tools and techniques are discussed below and how State of Georgia procurement stages are integrated to this process.

Key Inputs	Tools and Techniques	Key Outputs
Project Management Plan	Make-or-buy analysis	Procurement Management Plan
Requirements Documentation	Expert judgment	Procurement Statement of Work
Organizational process assets	Market research	Procurement Documents
	Meetings	Source selection criteria
		Make-or-buy decisions
		Change requests

Elements of the State of Georgia procurement stages that should be performed in this process are described in the table below.

Stage	Activities
1. Needs Identification	<ul style="list-style-type: none"> Identifying the need for purchase Identifying exceptions to the State Purchasing Act Analyzing existing contract sources through Order of Precedence Determining whether a sourcing event is required Reviewing special approvals or restrictions
2. Pre-Solicitation	<ul style="list-style-type: none"> Identifying scope, stakeholders, and critical business requirements Conducting market analysis to identify goods, services, suppliers Estimating expected contract award value for the fiscal year Addressing market and budget constraints Identifying the best solicitation method Addressing delegated purchasing authority Planning the solicitation
3. Solicitation Preparation	<ul style="list-style-type: none"> Reviewing use of consultants Understanding sourcing tools Selecting solicitation templates Constructing solicitation and evaluation documents Selecting contract templates

Topic 1: Plan Procurement Management – Procurement Management Plan



Procurement Management Plan

- Describes how a project team will acquire goods and services from outside the performing organization
- Describes how the procurement processes will be managed from developing procurement documents to contract closure
- Can be formal or informal
- Describes interaction between project team and procurement department

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The Procurement Management Plan is a component of the project management plan that describes how a project team will acquire goods and services from outside the performing organization. It describes how the procurement processes will be managed from developing procurement documents through contract closure. A procurement management plan can be formal or informal, highly detailed or broadly framed. Elements of the procurement management plan include:

- Types of contracts to be used;
- Risk management issues;
- Whether independent estimates will be used and will they be used for evaluation criteria;
- Those actions the project team can take unilaterally, if a procurement department exists;
- Standardized procurement documents, if needed;
- Managing multiple suppliers;
- Coordinating procurement with other project aspects;
- Any constraints and assumptions;
- Setting the scheduled dates for the contract deliverables and coordinating with the schedule development and control processes;
- Establishing the direction to be provided to the sellers on developing and maintaining a work breakdown structure;
- Identifying requirements for performance bonds or insurance contracts;
- Establishing the form and format for procurement statements of work;
- Identifying prequalified sellers;
- Procurement metrics to be used to manage contracts and evaluate sellers.

Topic 1: Plan Procurement Management – Contracts



Contracts

A contract is a mutually binding legal agreement that obligates the seller to provide the specified products, services, or results.

A valid contract must have:

- An Offer
- Acceptance of the offer
- Consideration – something of value
- Legal capacity of all parties
- Legal purpose

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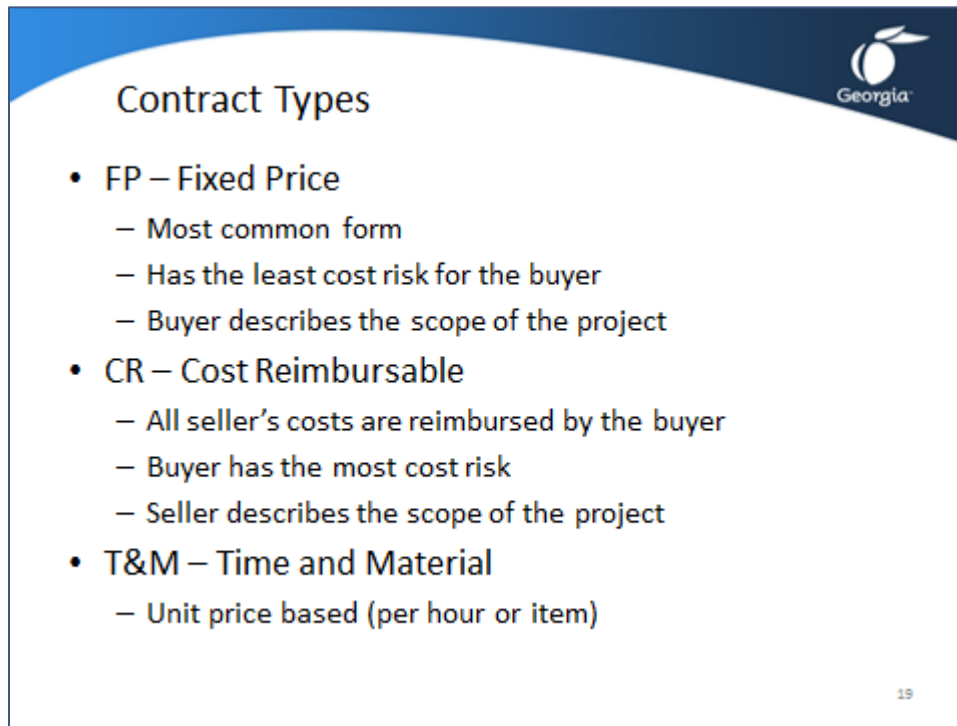
It is the project management team’s responsibility to make certain that all agreements meet the specific needs of the project while adhering to organizational procurement policies. Agreements can also be called an understanding, a contract, or a purchase order.

A contract is a mutually binding legal agreement that obligates the seller to provide the specified products, services, or results, and obligates the buyer to compensate the seller. A contract is a legal relationship subject to remedy in the courts.

A contract includes legal aspects, technical items (specification of what is to be done or acquired), and the process of actually fulfilling the work, including project management aspects. In order to have a valid contract the following items must be present:

1. An Offer
2. Acceptance of the offer
3. Consideration – something of value
4. Legal capacity of all parties
5. Legal purpose

Topic 1: Plan Procurement Management – Contract Types



Contract Types

- **FP – Fixed Price**
 - Most common form
 - Has the least cost risk for the buyer
 - Buyer describes the scope of the project
- **CR – Cost Reimbursable**
 - All seller's costs are reimbursed by the buyer
 - Buyer has the most cost risk
 - Seller describes the scope of the project
- **T&M – Time and Material**
 - Unit price based (per hour or item)

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All legal contractual relationships fall into one of two broad families: either fixed price or cost reimbursable. Also, there is a third type commonly in use called the time and material contract. The more popular types are discussed on the following pages.

Fixed-Price Contracts

These normally involve setting a fixed total price for the product, service, or result being acquired. They may also incorporate incentives if certain project objectives are achieved or exceeded. The seller is legally obligated to complete the contract with possible financial damages if they do not. Buyers need to specify the product or services being procured. In the case of scope changes the contract price could increase. There are three types of fixed-price contracts:

- Firm Fixed Price (FFP)
- Fixed Price Incentive Fee (FPIF)
- Fixed Price with Economic Adjustment (FP-EPA)

Cost-Reimbursable Contracts


These contracts involve a payment (cost reimbursement) to the seller for all legitimate actual costs incurred for completed work, plus a fee representing seller profit. These types of contracts offer the project flexibility to redirect the seller when the scope cannot be specifically defined and needs to be altered during the project execution. There are three types of cost-reimbursable contracts:

- Cost Plus Fixed Fee (CPFF)
 - The fixed fee represents the seller's profit
- Cost Plus Incentive Fee (CPIF)
 - Similar to CPFF, plus a bonus for beating the incentive
- Cost Plus Award Fee (CPAF)
 - Similar to CPIF, but the bonus is based on subjective performance criteria

Time and Material Contracts

These contracts contain aspects of both cost-reimbursable and fixed-price contracts. These contracts can increase in value as if they were cost-reimbursable contracts. Unit labor or material rates can be preset by the buyer and seller.

Topic 1: Plan Procurement Management – Contract Type Examples



Contract Type Examples

- Fixed Price Incentive Fee
 - Target Cost: \$125,000
 - Target Price: \$150,000
 - Target Fee: \$25,000*
 - Ceiling Price: \$175,000**
 - Share Ratio: 80/20

*Difference between target price & cost
** Buyer determines

Actual Cost + Target Fee + ((Target Cost – Actual Cost) * Share Ration)

Actual Cost: \$100,000

Seller Receives:
 $100,000 + 25,000 + (25,000 * 20\%)$
 $125,000 + 5,000 = 130,000$

- Fixed Price Incentive Fee
 - Target Cost: \$125,000
 - Target Price: \$150,000
 - Target Fee: \$25,000*
 - Ceiling Price: \$175,000**
 - Share Ratio: 80/20

*Difference between target price & cost
** Buyer determines

Actual Cost + Target Fee + ((Target Cost – Actual Cost) * Share Ration)

Actual Cost: \$175,000

Seller Receives:
 $175,000 + 25,000 + (-50,000 * 20\%)$
 $200,000 - 10,000 = 190,000$

Ceiling is \$175,000. That is what the seller receives

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Fixed-Price Contracts.

- Fixed Price Incentive Fee
 - Target Cost: \$125,000
 - Target Price: \$150,000
 - Target Fee: \$25,000*
 - Ceiling Price: \$175,000**
 - Share Ratio: 80/20

*Difference between target price & cost
** Buyer determines

Actual Cost + Target Fee + ((Target Cost – Actual Cost) * Share Ration)

Actual Cost: \$100,000

Seller Receives:
 $100,000 + 25,000 + (25,000 * 20\%)$
 $125,000 + 5,000 = 130,000$

- Fixed Price Incentive Fee
 - Target Cost: \$125,000
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 - Ceiling Price: \$175,000**
 - Share Ratio: 80/20

*Difference between target price & cost
** Buyer determines

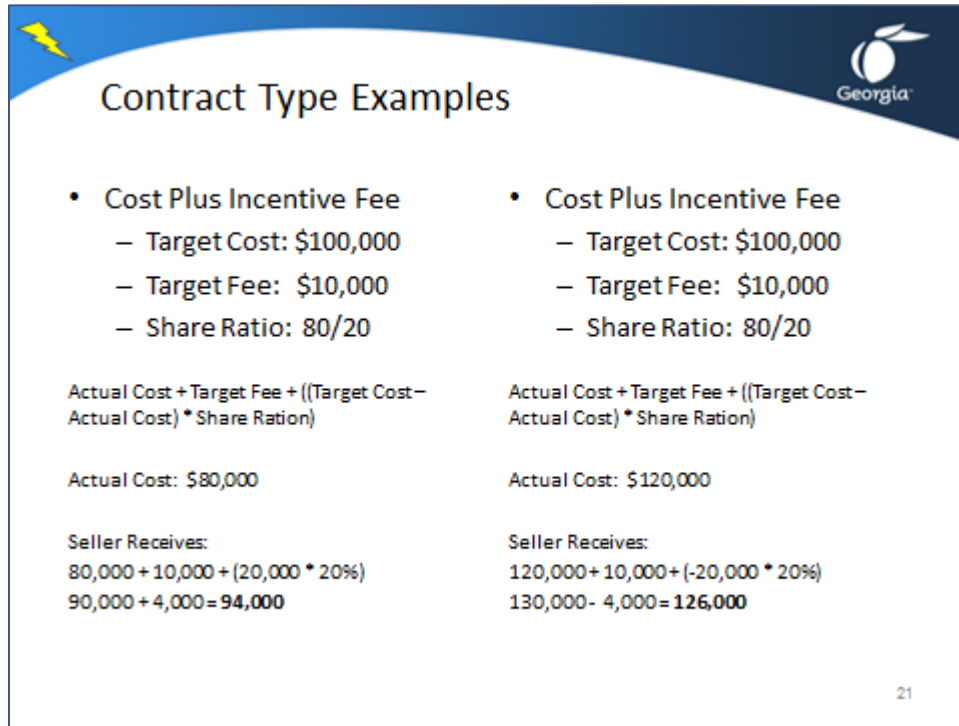
Actual Cost + Target Fee + ((Target Cost – Actual Cost) * Share Ration)

Actual Cost: \$175,000

Seller Receives:
 $175,000 + 25,000 + (-50,000 * 20\%)$
 $200,000 - 10,000 = 190,000$

Ceiling is \$175,000. That is what the seller receives

Topic 1: Plan Procurement Management – Contract Type Examples



Contract Type Examples

- Cost Plus Incentive Fee
 - Target Cost: \$100,000
 - Target Fee: \$10,000
 - Share Ratio: 80/20

Actual Cost + Target Fee + ((Target Cost – Actual Cost) * Share Ration)

Actual Cost: \$80,000

Seller Receives:
 $80,000 + 10,000 + (20,000 * 20\%)$
 $90,000 + 4,000 = 94,000$

- Cost Plus Incentive Fee
 - Target Cost: \$100,000
 - Target Fee: \$10,000
 - Share Ratio: 80/20

Actual Cost + Target Fee + ((Target Cost – Actual Cost) * Share Ration)

Actual Cost: \$120,000

Seller Receives:
 $120,000 + 10,000 + (-20,000 * 20\%)$
 $130,000 - 4,000 = 126,000$

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Cost-Reimbursable Contracts.

- Cost Plus Incentive Fee
 - Target Cost: \$100,000
 - Target Fee: \$10,000
 - Share Ratio: 80/20

Actual Cost + Target Fee + ((Target Cost – Actual Cost) * Share Ration)

Actual Cost: \$80,000

Seller Receives:
 $80,000 + 10,000 + (20,000 * 20\%)$
 $90,000 + 4,000 = 94,000$

- Cost Plus Incentive Fee
 - Target Cost: \$100,000
 - Target Fee: \$10,000
 - Share Ratio: 80/20

Actual Cost + Target Fee + ((Target Cost – Actual Cost) * Share Ration)

Actual Cost: \$120,000

Seller Receives:
 $120,000 + 10,000 + (-20,000 * 20\%)$
 $130,000 - 4,000 = 126,000$

Topic 1: Plan Procurement Management – Contract Risk by Type



Exercise 2.1: Contracts

Instructions:

Part 1 – Read the scenarios below and determine if a valid contract exists

1. A seller has signed a contract with a buyer project manager to buy a software package for \$25,000. The buyer will not pay the invoice since they claim that the project manager does not have the right to legally obligate them to this contract. The seller states that they entered the contract in good faith and that the project manager said he had the authority. The seller delivered the software and it was installed and tested by the project team.

2. A client manager and a seller sign a contract to paint a building for \$10,000. Before the work starts the client finds another seller that will paint the building for \$8,500. The client cancels the original contract stating that since the work was not started yet, the seller has not suffered any harm.

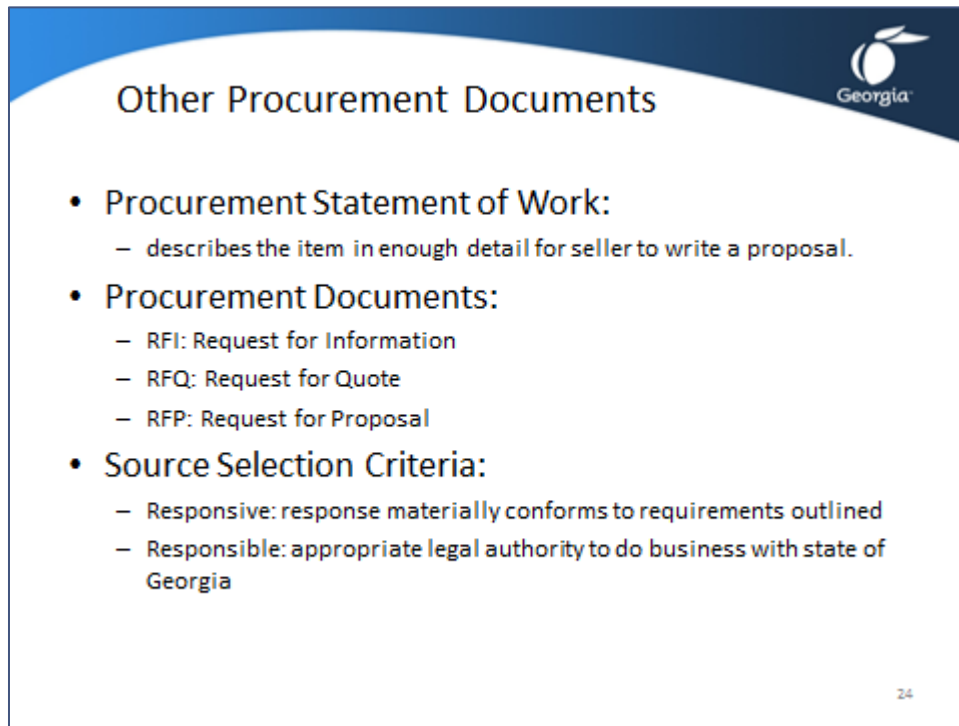
Part 2 – Read the scenarios below and determine the fee paid to the seller

1. Vanessa is working with a seller on a Cost Plus Incentive Fee contract. The Target Cost is \$175,000; Actual Cost is \$200,000; Target Fee is \$50,000 and the Share ratio is 80/20. What is the total payment for the contract?

2. A Firm Fixed Price contract calls for the seller to receive \$25,000 at the completion of the project. The seller expects the costs to be \$20,000 which will result in a 25% profit on this contract. The actual cost for the seller is \$27,000. How much should the buyer expect to pay the seller?

3. A Fixed Incentive Fee contract states a price to the buyer of \$125,000, which includes a \$20,000 target fee. In addition, the seller will receive an incentive fee of \$10,000 to the seller if the project is completed by July 31st. There is a 60/40 sharing over the target price. The ceiling price is \$135,000. The actual cost of the work for the seller is \$110,000 and the project was completed August 20th. What is the amount that the buyer should expect to pay to the seller?

Topic 1: Plan Procurement Management – Other Procurement Documents



Other Procurement Documents

- **Procurement Statement of Work:**
 - describes the item in enough detail for seller to write a proposal.
- **Procurement Documents:**
 - RFI: Request for Information
 - RFQ: Request for Quote
 - RFP: Request for Proposal
- **Source Selection Criteria:**
 - Responsive: response materially conforms to requirements outlined
 - Responsible: appropriate legal authority to do business with state of Georgia

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Procurement Statement of Work

The procurement statement of work describes the procurement item in sufficient detail to allow prospective sellers to determine if they are capable of providing the products, services, or results. Information included in a SOW can include specifications, quantity desired, quality levels, performance data, period of performance, work location, and other requirements. It also includes a description of performance reporting or post-project operational support for the procured item.

Procurement Documents

Procurement documents are used to solicit proposals from prospective sellers. Common terms are in use for different types of procurement documents and include request for information (RFI), invitation for bid (IFB), request for proposal (RFP), or request for quotation (RFQ). These documents include a description of the desired form of the response, the relevant procurement statement of work (SOW) and any required contractual provisions.

Source Selection Criteria

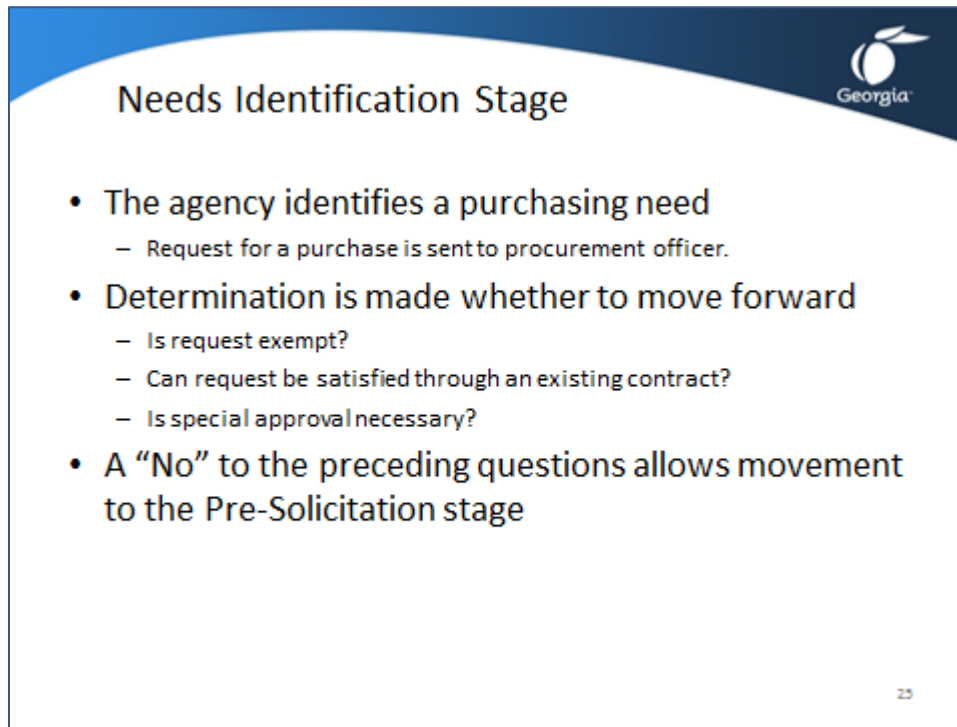
These are often included as a part of the procurement documents. These criteria are developed and used to rate or score or evaluate seller proposals and can be objective or subjective.

The state of Georgia uses two categories of selection criteria as described below.

- **Responsive:** the seller's response materially conforms to the requirements and specifications outlined in the solicitation

- Responsible: The seller has appropriate legal authority to do business with the state of Georgia.

Topic 2: Needs Identification Stage



Needs Identification Stage

- The agency identifies a purchasing need
 - Request for a purchase is sent to procurement officer.
- Determination is made whether to move forward
 - Is request exempt?
 - Can request be satisfied through an existing contract?
 - Is special approval necessary?
- A “No” to the preceding questions allows movement to the Pre-Solicitation stage

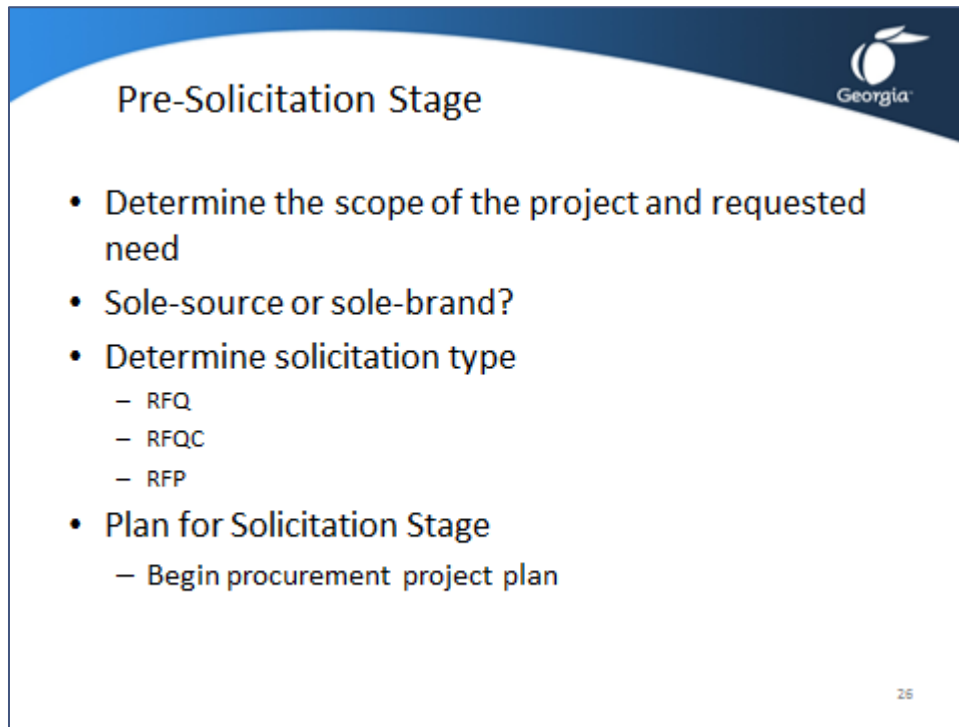
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The procurement process begins with the identification of a purchasing need. For example, the Agency Procurement Officer may receive a request directly from an end user to establish a contract for certain needed services. The procurement officer will then determine if this request should move forward in the procurement process by asking the following three questions:

1. Is the Request Exempt from the State Purchasing Act?
2. Can the request be satisfied through an existing contract?
3. Does the request need special approval?

If all three questions can be answered with “no”, the procurement professional will move forward to the Pre-Solicitation stage.

Topic 3: Pre-Solicitation Stage



Pre-Solicitation Stage

- Determine the scope of the project and requested need
- Sole-source or sole-brand?
- Determine solicitation type
 - RFQ
 - RFQC
 - RFP
- Plan for Solicitation Stage
 - Begin procurement project plan

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The type of solicitation will be determined in this stage. If the state entity is not certain whether a solicitation is required, the procurement professional will review the Stage 1 - Need Identification processes and makes a determination.

The Pre-Solicitation Stage addresses several steps which must be completed by the procurement professional before preparing the solicitation.

Pre-Solicitation Stage Steps	
Step 1	<p>Analyzing the purchasing need</p> <p>Correctly identifying the scope of the need and corresponding stakeholders is essential to ensure the solicitation process will result in a contract which matches the needs of the state entity.</p>
Step 2	<p>Addressing certain market and budget constraints, such as sole-source claims</p> <p>The state entity’s ability to make an open market purchase through the competitive solicitation process can be impacted by limitations in the open market, the state entity’s budgetary constraints, or a combination of these factors.</p>
Step 3	<p>Selecting the best solicitation method</p> <p>Approved solicitation methods are limited to Requests for Quotes (RFQ), Requests for Proposals (RFP), Requests for Qualified Contractors (RFQC), and Reverse Auctions.</p>
Step 4	<p>Addressing delegated purchasing authority</p> <p>Determine whether the solicitation can be processed within the state entity’s delegated</p>

Pre-Solicitation Stage Steps	
	purchasing authority. If the dollar amount of the purchase is within the state entity's delegated purchasing authority, then the procurement professional may begin to prepare the solicitation.
Step 5	<p>Planning the solicitation</p> <p>By completing the preceding four steps, the procurement professional has completed several key steps in planning the solicitation process.</p>

Topic 4: Solicitation Preparation Stage



Solicitation Preparation Stage

- Determine usage of Third-party Consultants
- Understand the Sourcing Tools
- Select the Appropriate Solicitation Template
- Construct the Solicitation and Evaluation Documents
- Select Appropriate Contract Template

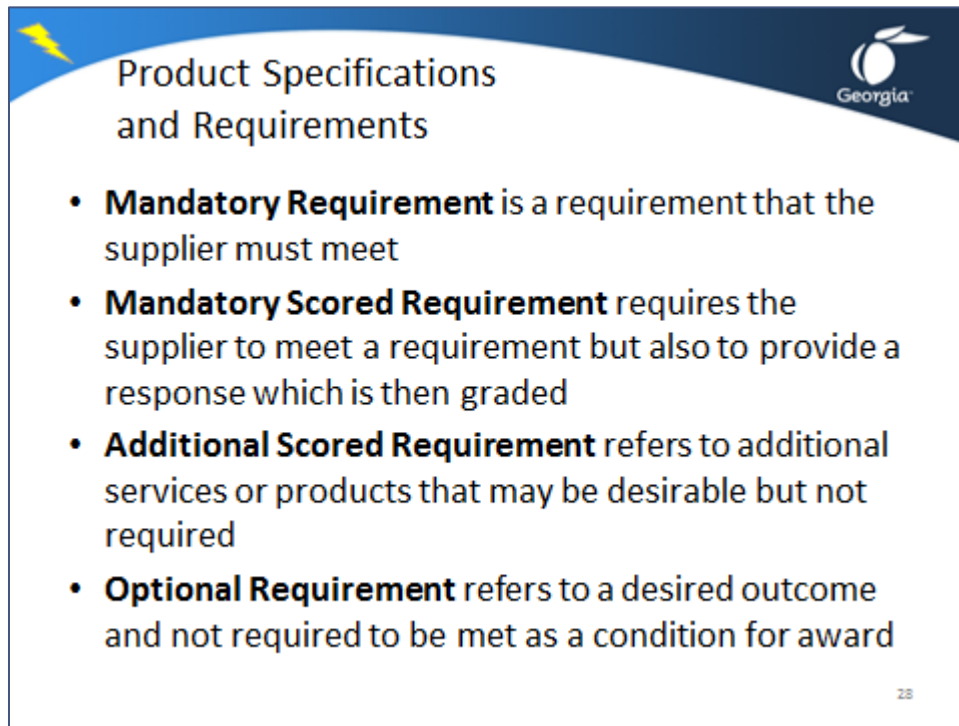
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In this stage, the procurement professional will first identify the appropriate sourcing tool and then the applicable solicitation template. The procurement professional will also construct the solicitation, develop the evaluation criteria, and select a contract template as applicable working in conjunction with the cross-functional and the evaluation teams.

Solicitation Preparation Stage Steps	
Step 1	<p>Using third-party consultants</p> <p>Any third party consultant who assists in the development of a solicitation document will be prohibited from submitting a bid/proposal in response to that solicitation or from otherwise performing work on any contract directly resulting from that particular solicitation document, unless the SPDAC expressly waives this restriction in writing.</p>
Step 2	<p>Understanding the sourcing tools</p> <p><i>Sourcing tool</i> refers to software permitting a state entity to receive bids and proposals by way of the Internet or other electronic means.</p>
Step 3	<p>Selecting the Correct Solicitation Template</p> <p>Once the procurement professional has determined which sourcing tool will be used, the procurement professional can select the approved solicitation template. The state entity's use of SPD's approved solicitation templates and related forms is mandatory unless a</p>

Solicitation Preparation Stage Steps	
	written exception has been granted by the SPDAC.
Step 4	<p>Constructing the Solicitation and evaluation documents</p> <p>The procurement professional will begin the process of constructing the solicitation</p>
Step 5	<p>Selecting Contract Templates</p> <p>The procurement professional must determine what contract terms will be used to govern the agreement between the state entity and the awarded suppliers. The applicable contract terms must be identified in or attached to the solicitation.</p>

Topic 4: Solicitation Preparation – Product Specifications and Requirements



Product Specifications and Requirements

- **Mandatory Requirement** is a requirement that the supplier must meet
- **Mandatory Scored Requirement** requires the supplier to meet a requirement but also to provide a response which is then graded
- **Additional Scored Requirement** refers to additional services or products that may be desirable but not required
- **Optional Requirement** refers to a desired outcome and not required to be met as a condition for award

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Product Specifications and Requirements

The majority of the time scheduled to prepare the solicitation should be allocated to drafting the specifications, requirements or key questions for the solicitation. The procurement professional should use concise, logical wording in precise terms while drafting the solicitation. Use the words "shall", "must" or "is required" to identify **mandatory (essential) requirements** within a solicitation. The words "may" or "should" may be used to identify **optional (conditional) requirements** sometimes referred to as desirable requirements.

A **mandatory requirement** is a requirement that the supplier must meet to be eligible for contract award. A mandatory requirement can be a qualification or performance requirement.

A **mandatory scored requirement** requires the supplier to meet a requirement but also to provide a response which is then graded. For example, a mandatory question may require the supplier to agree to meet a critical project deadline and also describe its plan to accomplish the necessary tasks within that timeframe.

An **additional scored requirement** refers to additional services or products that may be desirable but not required. A supplier is not required to meet an additional scored requirement to be eligible for contract award; however, the supplier's score may improve if the additional scored requirement can be met.

Exercise 2.2: Develop Product Requirements for RFP

Instructions:

Review the list of requirements from the Case Study. Indicate whether the requirement should be categorized as *mandatory*, *mandatory scored*, *optional*, or *additional scored*.

ID	Description	Category
R001	Must allow customers to place orders via internet	
R002	Must allow for credit card payment	
R003	Must allow discounts for customers with over 50K sales	
R004	Must determine shipping cost at time of purchase	
R005	Must provide real time product information to customer	
R006	Must not allow orders to exceed \$1,000	
R007	Must interface with Credit Card company for authorization	
R008	Must interface with Shipping company for order tracking	
R009	Must interface with current legacy system	
R010	The seller must provide documentation on project approach	
R011	The seller must provide the past three years Balance Sheets	
R012	The seller must provide three references from customers with similar engagements to this	
R013	The seller shall provide a staffing plan for this engagement with individual resumes	
R014	The seller shall provide documentation on software development approach	
R015	The seller must provide warranty documentation	
R016	Should allow customer to create a profile	
R017	Should have product search capability	
R018	Should continue special reporting for preferred customers	
R019	Should calculate shipping cost when totaling order	
R020	Should send email confirmation to customer	
R021	Should store frequently purchased items	
R022	Should calculate orders and display in less than 1 sec	
R023	Should password protect customer information	

Lesson 2 Summary: Learning Objectives Recap

- **Understand the Project Procurement Management Plan**

The Procurement Management Plan is a component of the project management plan that describes how a project team will acquire goods and services from outside the performing organization. It describes how the procurement processes will be managed from developing procurement documents through contract closure.

- **Understand the types of contracts used in a procurement**

Fixed-Price Contracts

These normally involve setting a fixed total price for the product, service, or result being acquired. They may also incorporate incentives if certain project objectives are achieved or exceeded. The seller is legally obligated to complete the contract with possible financial damages if they do not. Buyers need to specify the product or services being procured. In the case of scope changes the contract price could increase. There are three types of fixed-price contracts:

- Firm Fixed Price (FFP)
- Fixed Price Incentive Fee (FPIF)
- Fixed Price with Economic Adjustment (FP-EPA)

Cost-Reimbursable Contracts

These contracts involve a payment (cost reimbursement) to the seller for all legitimate actual costs incurred for completed work, plus a fee representing seller profit. These types of contracts offer the project flexibility to redirect the seller when the scope cannot be specifically defined and needs to be altered during the project execution. There are three types of cost-reimbursable contracts:

- Cost Plus Fixed Fee (CPFF)
 - The fixed fee represents the seller's profit
- Cost Plus Incentive Fee (CPIF)
 - Similar to CPFF, plus a bonus for beating the incentive
- Cost Plus Award Fee (CPAF)
 - Similar to CPIF, but the bonus is based on subjective performance criteria

Time and Material Contracts

These contracts contain aspects of both cost-reimbursable and fixed-price contracts. These contracts can increase in value as if they were cost-reimbursable contracts. Unit labor or material rates can be preset by the buyer and seller.

- **Understand the various procurement documents available to use**

Procurement Statement of Work

The procurement statement of work describes the procurement item in sufficient detail to allow prospective sellers to determine if they are capable of providing the products, services, or results.

Procurement Documents

Procurement documents are used to solicit proposals from prospective sellers. Common terms are in use for different types of procurement documents and include request for information (RFI), invitation for bid (IFB), request for proposal (RFP), or request for quotation (RFQ).

Source Selection Criteria

These are often included as a part of the procurement documents. These criteria are developed and used to rate or score seller proposals and can be objective or subjective.

- **Understand the three stages of the State Procurement process associated with Plan Procurement Management**

Stage	Activities
1. Needs Identification	Identifying the need for purchase Identifying exceptions to the State Purchasing Act Analyzing existing contract sources through Order of Precedence Determining whether a sourcing event is required Reviewing special approvals or restrictions
2. Pre-Solicitation	Identifying scope, stakeholders, and critical business requirements Conducting market analysis to identify goods, services, suppliers Estimating expected contract award value for the fiscal year Addressing market and budget constraints Identifying the best solicitation method Addressing delegated purchasing authority Planning the solicitation
3. Solicitation Preparation	Reviewing use of consultants Understanding sourcing tools Selecting solicitation templates Constructing solicitation and evaluation documents Selecting contract templates

LESSON 3: CONDUCTING PROCUREMENTS

Topic 1: Overview of Conducting Procurements

Topic 2: Solicitation Process Stage

Topic 3: Evaluation Process Stage

Topic 4: Award Process Stage

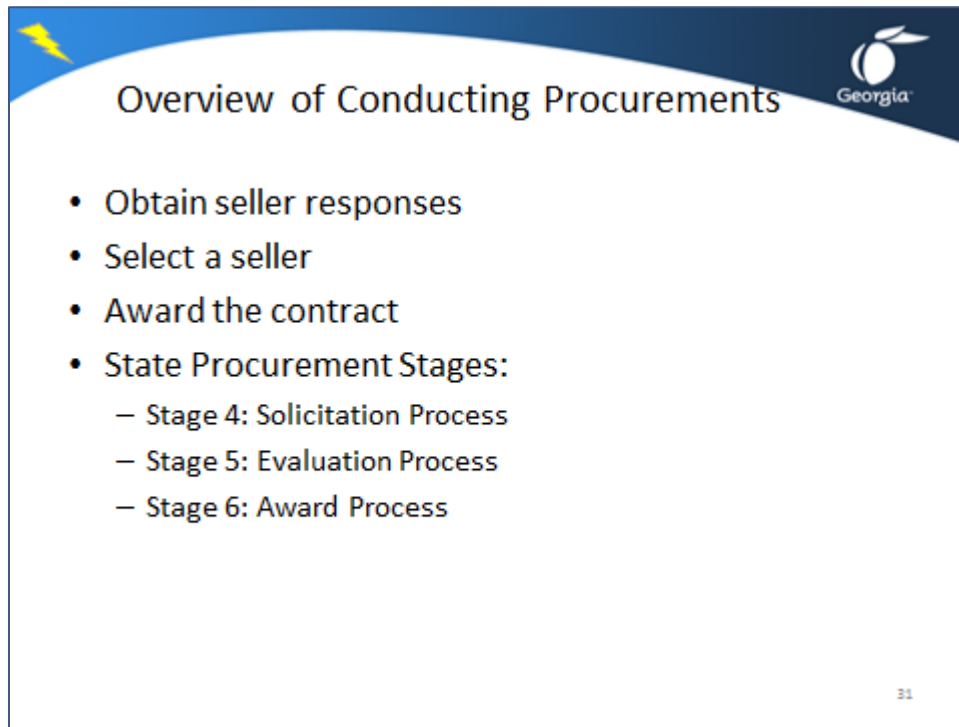
Student Learning Objectives

After completing this lesson you should be able to

- Understand the Solicitation process
- Understand the Evaluation process
- Understand the Award process

Approximate Presentation time: 2 hour

Topic 1: Overview of Conducting Procurements



Overview of Conducting Procurements

- Obtain seller responses
- Select a seller
- Award the contract
- State Procurement Stages:
 - Stage 4: Solicitation Process
 - Stage 5: Evaluation Process
 - Stage 6: Award Process

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Conduct Procurements is the process of obtaining seller responses, selecting a seller, and awarding a contract. This process provides an alignment of internal and external stakeholder expectations through established agreements.

The inputs, outputs, and tools and techniques are discussed below and how State of Georgia procurement stages are integrated to this process.


Key Inputs	Tools and Techniques	Key Outputs
Procurement Management Plan	Bidder conference	Selected Sellers
Procurement Documents	Proposal evaluation techniques	Agreements
Source selection criteria	Advertising	
Seller proposals	Procurement negotiations	
Procurement Statement of Work		
Organizational process assets		

Elements of the State of Georgia procurement stages that should be performed in this process are described in the table below.

Stage	Activities
4. Solicitation Process	Publicly advertise solicitations Receiving supplier responses Closing the solicitation

Stage	Activities
5. Evaluation Process	Open supplier responses Conduct administrative review Evaluate supplier responses Conduct negotiations Finalize selection
6. Award Process	Publish evaluation results Finalize contract award Participate in protest process (as applicable)

Topic 2: Solicitation Process Stage



The Solicitation Process Stage

- The State’s approach to acquiring goods and services through competitive bid.
- The Process Includes the Following Steps
 - Public advertisement and notice
 - Cancellation of a Solicitation
 - Closing the Solicitation

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The solicitation process describes how the state approaches the acquisition of goods and services through a competitive bidding process. The process includes the advertising of the solicitation, how a solicitation is revised or cancelled, the receipt of seller responses, and the closing of the solicitation. Each step is described below.

Solicitation Process Stage Steps	
Step 1	<p>Public Advertisement and Notice</p> <p>The solicitation process begins with the procurement professional’s public notice of the solicitation. To give every supplier an equal opportunity to submit responses, all solicitations are publicly advertised on the Georgia Procurement Registry in accordance with the minimum public posting time periods.</p>
Step 2	<p>Revising or Canceling a Solicitation</p> <p>The issuing officer may make revisions to the posted solicitation provided the issuing officer complies with the procedures in the Georgia Procurement Manual. The state entity may withdraw or cancel a solicitation document at any time. A notice of cancellation will be issued to include either a description or document to detail the reason for cancellation.</p>
Step 3	<p>Close the Solicitation</p> <p>The solicitation closes upon the expiration of the date and time identified in the solicitation as the deadline for suppliers to submit responses.</p>

Topic 3: Evaluation Process Stage

The Evaluation Process Stage

- Open Supplier Response
- Review Supplier Responses
- Evaluate Supplier Responses
- Conduct Negotiations
- Finalize Selection

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Once the process enters the Evaluation stage, the solicitation is considered officially closed. During the evaluation process, the issuing officer in conjunction with the evaluation committee (if any) will review and evaluate the suppliers' responses to determine which suppliers are *responsive* and *responsible*. **Responsive** means the supplier, whether a company or an individual, has submitted a timely offer which materially conforms to the requirements and specifications of the solicitation. **Responsible** means the supplier, whether a company or an individual, has appropriate legal authority to do business in the state of Georgia, a satisfactory record of integrity, appropriate financial, organizational and operational capacity and controls, and acceptable performance on previous governmental and/or private contracts, if any.

Of those suppliers determined to be responsive and responsible, the best ranked supplier(s) will be selected in accordance with the terms of the solicitation. The methodology for determining the best ranked supplier(s) will vary based on the solicitation type as well as the specific language of the solicitation. Some of the following steps may overlap; however, the material for the *Evaluation Stage* has been organized as follows:

Evaluation Process Stage Steps	
Step 1	Open supplier responses Once the solicitation officially closes, the issuing officer may open all submitted responses. Suppliers' responses must be received on or before the solicitation closing date and time to be considered for contract award. All responses must remain sealed until the solicitation closing date and time. Those responses received after the solicitation closing date and time

Evaluation Process Stage Steps	
	must be rejected.
Step 2	<p>Conduct administrative review</p> <p>The purpose of the <i>administrative review</i> process is to identify any responses which are not eligible for further evaluation.</p>
Step 3	<p>Evaluate supplier responses</p> <p>During the evaluation process, the state entity is evaluating the supplier as well as the supplier's submitted response. When evaluating the supplier's submitted response, the state entity is determining whether the supplier has met all of the requirements of the solicitation. A supplier must be both responsive and responsible to be eligible for further consideration.</p>
Step 4	<p>Conduct negotiations</p> <p>"<i>RFP rounds of negotiations</i>" refer to the negotiations authorized by (O.C.G.A.) Section 50-5-67(a)(6). During the RFP process, SPD (or a state entity expressly authorized by SPD) possesses discretionary authority to conduct one or more rounds of negotiations with select suppliers to solicit revisions to technical and/or cost proposals as permitted by and SPD's established procurement policy. RFP rounds of negotiations may not be used to alter the RFP.</p>
Step 5	<p>Finalize selection</p> <p>The issuing officer must select the successful supplier(s) based on the solicitation type and the specific terms of the solicitation with respect to type of award.</p>

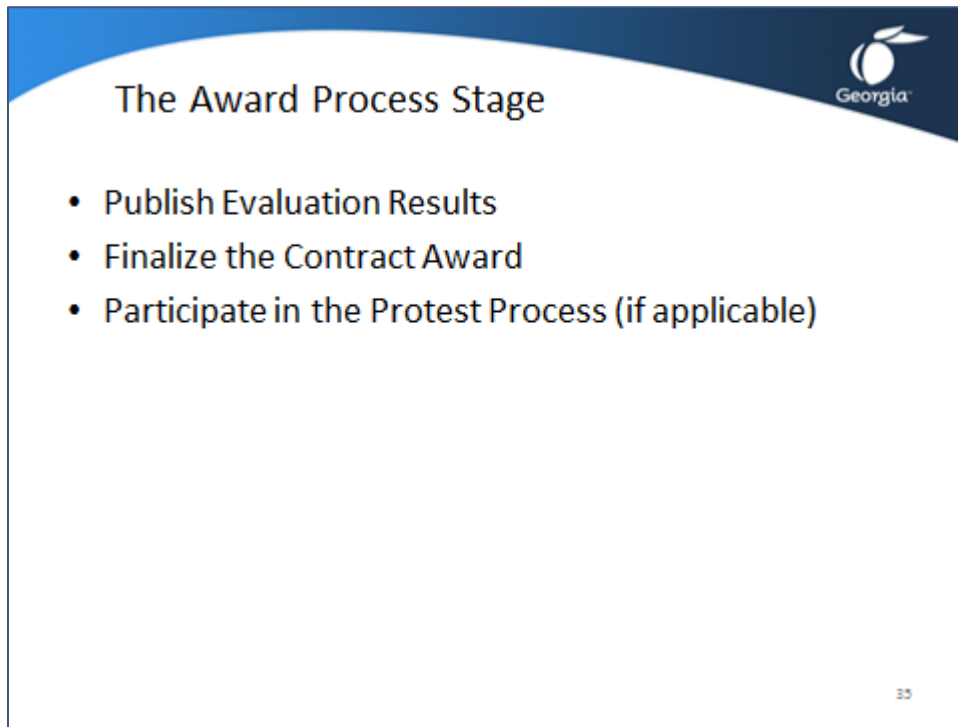
Exercise 3.1: Identify Evaluation Criteria Type

Instructions:

Review the list of requirements from the Case Study. Indicate whether the evaluation criteria should be *Responsive* or *Responsible*.

ID	Description	Selection Criteria
R001	Must allow customers to place orders via internet	
R002	Must allow for credit card payment	
R003	Must allow discounts for customers with over 50K sales	
R004	Must determine shipping cost at time of purchase	
R005	Must provide real time product information to customer	
R006	Must not allow orders to exceed \$1,000	
R007	Must interface with Credit Card company for authorization	
R008	Must interface with Shipping company for order tracking	
R009	Must interface with current legacy system	
R010	The seller must provide documentation on project approach	
R011	The seller must provide the past three years Balance Sheets	
R012	The seller must provide three references from customers with similar engagements to this	
R013	The seller provide a staffing plan for this engagement with individual resumes	
R014	The seller must provide documentation on software development approach	
R015	The seller must provide warranty documentation	
R016	Should allow customer to create a profile	
R017	Should have product search capability	
R018	Should continue special reporting for preferred customers	
R019	Should calculate shipping cost when totaling order	
R020	Should send email confirmation to customer	
R021	Nice to store frequently purchased items	
R022	Should calculate orders and display in less than 1 sec	
R023	Should password protect customer information	

Topic 4: Award Process Stage



The Award Process Stage

- Publish Evaluation Results
- Finalize the Contract Award
- Participate in the Protest Process (if applicable)

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The Award Stage begins once the state entity is ready to publicly announce the results of the evaluation process. Once the results of the evaluation process have been published, suppliers may review procurement documents. In the event a material error is identified that impacts the results of the procurement process, suppliers must report such error to SPD in accordance with the protest process identified in this stage. The steps for the *Award Stage* are described below:

Award Process Stage Steps	
Step 1	<p>Publish evaluation results</p> <p>State entities must publish notice of the results of the solicitation process, including any intended or actual contract awards. The published notice will identify:</p> <ul style="list-style-type: none">• The name(s) of the successful supplier(s),• The amount of any contract award,• The names of the unsuccessful suppliers, and• The reasons why those suppliers were unsuccessful.
Step 2	<p>Finalize contract award</p> <p>The state entity must make contract award through the issuing of a purchase order to the supplier and/or by signing a standard contract with the supplier.</p>

Award Process Stage Steps

Step 3	<p>Participate in protest process (as applicable)</p> <p>A supplier may file a <i>written protest</i> challenging a state entity's compliance with applicable procurement procedures subject to the supplier's compliance with the provisions documented in the Georgia Procurement Manual.</p>
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Exercise 3.2: Conduct Procurements

Instructions:

Review the statements and terms in the table below and match each to its definition.

	?	Statements/Term	Definition
1.		Seller proposals	A. responsive and responsible
2.		Public Advertisement and Notice	B. the state entity publicly announces the results of the evaluation process
3.		Publish evaluation results	C. the procurement enters the Evaluation stage
4.		Conduct Procurements is	D. Selected sellers and Agreements
5.		Negotiations occur here	E. First step in the Solicitation Stage
6.		The solicitation is considered officially closed when...	F. Input to the Conduct Procurement process
7.		A supplier must be both _____ and _____ to be eligible for further consideration	G. The Evaluation Stage
8.		The key outputs of the Conduct Procurement process	H. A step in the Award Stage
9.		The Award Stage	I. the process of obtaining seller responses, selecting a seller, and awarding a contract

Lesson 3 Summary: Learning Objectives Recap

- **Understand the Solicitation process**

The solicitation process describes how the state approaches the acquisition of goods and services through a competitive bidding process.

The steps in this process are:

- Public Advertisement and Notice
- Revising or Canceling a Solicitation
- Close the Solicitation

- **Understand the Evaluation process**

During the evaluation process, the issuing officer in conjunction with the evaluation committee (if any) will review and evaluate the suppliers' responses to determine which suppliers are *responsive* and *responsible*. Of those suppliers determined to be responsive and responsible, the best ranked supplier(s) will be selected in accordance with the terms of the solicitation.

The steps in the process are:

- Open supplier responses
- Conduct administrative review
- Evaluate supplier responses
- Conduct negotiations
- Finalize selection

- **Understand the Award process**

The Award Stage begins once the state entity is ready to publicly announce the results of the evaluation process. Once the results of the evaluation process have been published, suppliers may review procurement documents.

The steps in the process are:

- Publish evaluation results
- Finalize contract award
- Participate in protest process (as applicable)

LESSON 4: THE RFS PROCESS (GETS AGENCIES)

Topic 1: Introduction

Topic 2: Request Phase

Topic 3: Portfolio Project Implementation Phase

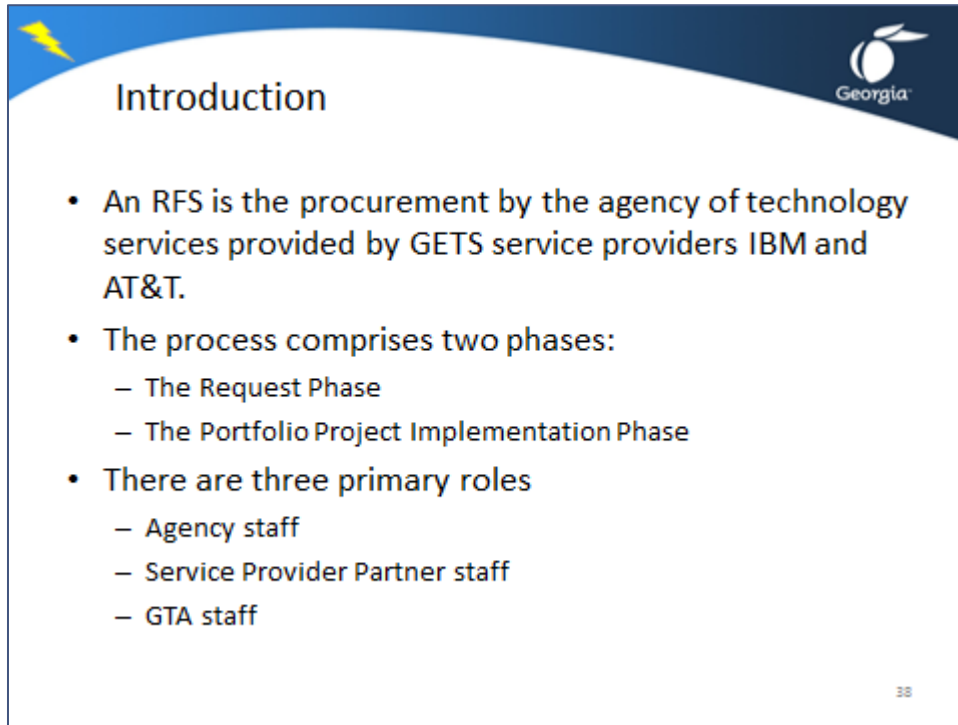
Student Learning Objectives

After completing this lesson you should be able to

- Understand the process to request an RFS
- Understand the CSP Implementation process

Approximate Presentation time: 2.25 hours

Topic 1: Introduction



Introduction

- An RFS is the procurement by the agency of technology services provided by GETS service providers IBM and AT&T.
- The process comprises two phases:
 - The Request Phase
 - The Portfolio Project Implementation Phase
- There are three primary roles
 - Agency staff
 - Service Provider Partner staff
 - GTA staff

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The Request for Solution (RFS) can be thought of as another form of procurement. In this case the agency has a need for a technology solution provided by the Georgia Enterprise Technology Services (GETS) contract with the state service provider partners IBM and AT&T. Similar to other procurements the project team will need to complete a request, review it, submit it, receive a proposal and act upon the proposal. Once the proposal is accepted the service provider partners will begin their work in the form of a project which, like a third-party vendor project, should be monitored and controlled by the agency project team. Similar to other contracts, the agreed upon technology solution will produce deliverables that the agency project team must review and accept. The service provider partners will complete the project work and the agency will verify that the work meets the agreed upon deliverables and close the proposal.

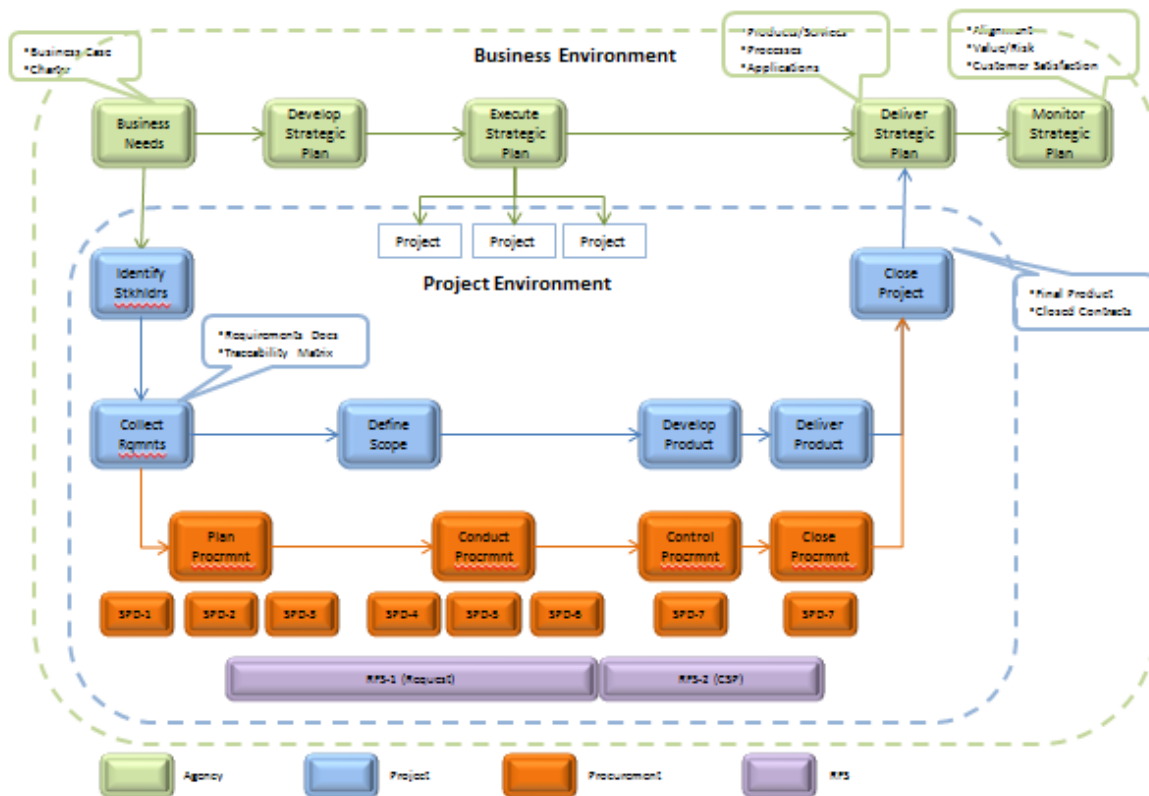
In order to effectively deliver the requested technology solution a process has been established and roles and responsibilities identified. The remainder of this lesson discusses the process for the effective delivery of the agency's infrastructure and network service needs.

The roles identified in the RFS process work collaboratively to make sure the needs for the agency and project priorities are understood and met. If issues arise the GTA Customer Relations Manager is the point person to escalate to the appropriate decision makers for resolution. The three primary roles identified in the RFS process are:


- Agency – this role comprises agency staff involved in the planning and execution of the project. This staff may include the project manager, the project business owner, agency CIO, agency CFO, agency subject matter experts, and agency project integrator.

- Service Provider Partner – this role comprises staff from the GETS service provider community and may include the IBM Project Lifecycle Manager, the AT&T Account Manager, architects, or other staff as needed
- Georgia Technology Authority (GTA) – this role comprises GTA staff from the Service Management Organization (SMO). The primary point of contact being the Customer Relations Manager (CRM) for the agency.

A more detailed description of each roles responsibility can be seen in the *GETS Request for Solution (RFS) and Portfolio Project Implementation Process Handbook*.

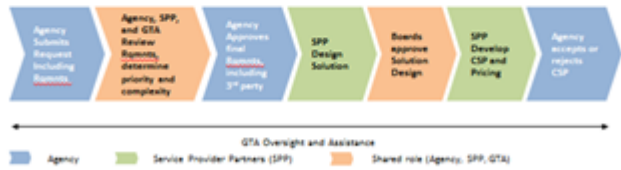


Topic 2: Request Phase



The Request Phase

- Begin discussions with the CRM when a technology need is determined
- This normally occurs in the Initiation phase or the early Planning phase of the project
- For requests requiring a Custom Solution Proposal a seven stage process is followed



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When an agency identifies a possible need for new/upgraded IT service or to remove service, the agency works with the GTA Customer Relationship Manager (CRM), the IBM Project Lifecycle Manager (PLM), and/or the AT&T Account Manager (AM) or Project Manager to pre-qualify the request. This ensures that the request follows the most efficient path.

This identification should occur during the Initiation process of a project's lifecycle, but no later than the requirements gathering and scope definition processes in the project's lifecycle. At any rate, when the agency determines that a technology solution will be needed the RFS Request process should be engaged.

Simple Requests

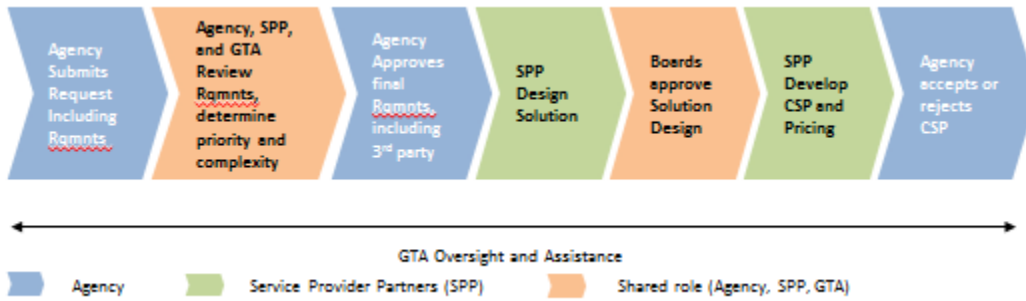
Simple requests, like end-user moves, are listed in the *OrderNow!* online Service Catalog, along with many options for managed network services (voice, data, etc.).

Other common requests have solutions and pricing that have been pre-determined. There is also an option for a labor-only work order (LOWO) for IT infrastructure (IBM only). Requests for pre-determined solutions and LOWOs are also initiated by the agency in *OrderNow!*

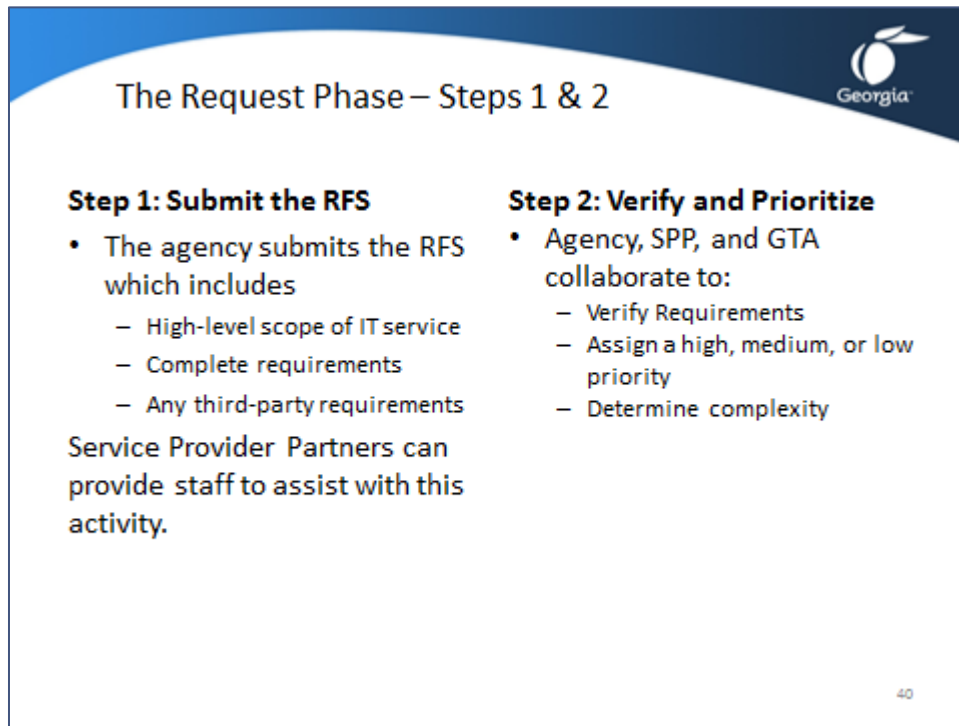
Requests that Require a Custom Solution Proposal

If the agency's request cannot be addressed through the Service Catalog, a pre-determined solution, or a LOWO, it requires the development of a custom solution proposal (CSP) from the service provider partners. *OrderNow!* is also used by the agency to initiate an RFS that results in a CSP.

The following chart depicts the high-level steps in the RFS custom solution proposal process:



Topic 2: Request Phase Steps 1 – 2 (Submit RFS, Prioritize, and Set Complexity)



The Request Phase – Steps 1 & 2

Step 1: Submit the RFS

- The agency submits the RFS which includes
 - High-level scope of IT service
 - Complete requirements
 - Any third-party requirements

Service Provider Partners can provide staff to assist with this activity.

Step 2: Verify and Prioritize

- Agency, SPP, and GTA collaborate to:
 - Verify Requirements
 - Assign a high, medium, or low priority
 - Determine complexity

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Step 1: The agency submits an RFS through *OrderNow!* This includes the high-level scope of the new, upgraded, or removed IT services and a complete set of requirements, including those of any third-party vendors whose application(s) will run in the steady state environment. These are typically known as the technical requirements which are determined after the agency project team has developed the business and functional requirements.

The service provider partners have dedicated staff to assist the agency in gathering these technical requirements if needed. The project team should coordinate any assistance through the agency Customer Relations Manager (CRM).

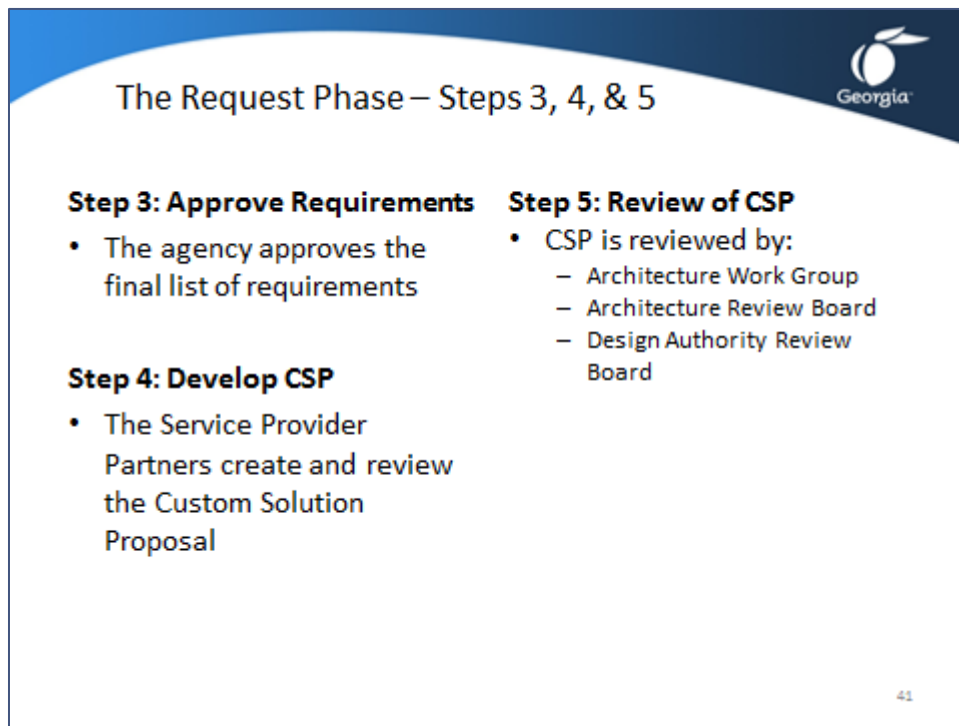
Step 2: The agency, the service provider partners, and the GTA CRM collaborate to:

- Verify all requirements, including those from third-party vendor(s).
- Assign a high, medium, or low priority to the RFS based on several factors, including:
 - Key business drivers such as criticality (e.g. health and safety, legal mandate, alignment with agency's strategic goals).
 - Scheduling urgency and dependencies (e.g. time sensitive grant, relationship of request to agency transformation).
 - Agency's ranking of this RFS relative to its other outstanding requests.
 - Available funding.
- Determine the complexity of the request, as defined in the chart below:

RFS Complexity Level	Examples
Simple	<ul style="list-style-type: none"> • 10+ end user moves • Single server install • Connectivity/network upgrade • Install or move 20+ new lines
Standard	<ul style="list-style-type: none"> • Expand/upgrade existing platform • Install new storage arrays • Cascading move requests • Voice and data move to a new building where facilities are available
Complex	<ul style="list-style-type: none"> • Multi-vendor platforms, third-party vendor(s) • Regulated data • Data Center consolidation/relocation • New IVR • New contact center requiring voice and data with new cabling

These criteria are also used to determine the complexity when the RFS moves to the project phase.

Topic 2: Request Phase Steps 3 – 5 (Approve Requirements, Develop CSP, Review)



The Request Phase – Steps 3, 4, & 5

Step 3: Approve Requirements

- The agency approves the final list of requirements

Step 4: Develop CSP

- The Service Provider Partners create and review the Custom Solution Proposal

Step 5: Review of CSP

- CSP is reviewed by:
 - Architecture Work Group
 - Architecture Review Board
 - Design Authority Review Board

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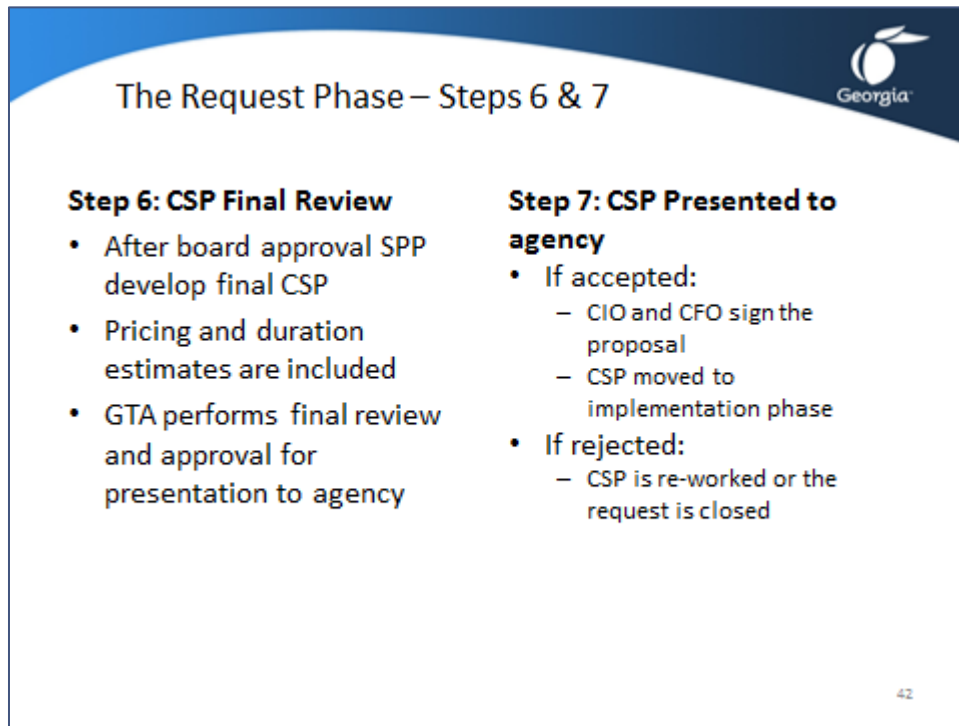
Step 3: The agency formally approves the final list of requirements, including those of any third-party vendors.

Step 4: Service provider partners create the solution and submit it for review.

Step 5: Depending on the type of request (budgetary estimate or best and final offer) the solution may be reviewed by:

- Architecture Work Group – a conceptual review by GTA and service provider partners
- Architecture Review Board (ARB) - service provider partner review
- Design Authority Review Board (DARB) - final joint team review for GTA and service provider partners, including standards and security.

Topic 2: Request Phase Steps 6 – 7 (CSP Final Review, Present CSP to Agency)



The Request Phase – Steps 6 & 7

Step 6: CSP Final Review

- After board approval SPP develop final CSP
- Pricing and duration estimates are included
- GTA performs final review and approval for presentation to agency

Step 7: CSP Presented to agency

- If accepted:
 - CIO and CFO sign the proposal
 - CSP moved to implementation phase
- If rejected:
 - CSP is re-worked or the request is closed

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Step 6: When the solution has been approved by the review board(s), the service provider partners develop the CSP, which includes pricing information and duration estimates for implementation. GTA performs final financial, technical, project management, business, and contract reviews and approves the presentation of the CSP to the agency.

Step 7: Service provider partners submit the CSP to the agency.

- If the agency accepts the CSP, both the agency’s Chief Information Officer/Requester and Chief Financial Officer/Designee must sign the document. The solution is moved into the implementation phase. The service provider partners work with the agency project manager to develop an implementation plan and schedule.
- If the agency does not accept the CSP, the solution is re-worked by the service provider partners or the request is closed.

GTA provides oversight throughout the RFS process to support the agency. If the agency requires assistance or identifies an issue that requires escalation, the agency’s assigned CRM is the first point of contact.

Topic 2: Request Phase – RFS Time Frames



The Request Phase – RFS Timeframes

For infrastructure and joint requests, the RFS time frame is based on the complexity of the request and the priority of the agency and enterprise.

Type of Request	Time (Business days)
Simple	10 – 40
Standard	10 – 40
Complex	180 – 220+

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RFS Time Frames

Typical time frames for managed network service requests are listed in *OrderNow!*.

For infrastructure and joint requests, the RFS time frame is based on the complexity of the request and also on agency and enterprise priority. The following table lists the time frames for each type of request.

Type of Request	Time Frame (business days)
Simple	10 – 40
Standard	10 – 40
Complex	180 – 220+


Exercise 4.1: The RFS Request Process

Instructions:

Review the Terms and Statements in the table below and match them with the corresponding Definitions.

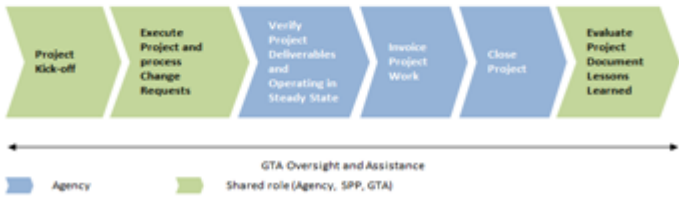
	?	Term/Statement	Definition
1.		Customer Relations Manager (CRM)	A. Step 7
2.		Architecture Review Board	B. Step 2
3.		<i>OrderNow!</i>	C. One of the groups in Step 5 that reviews the RFS
4.		Step 4	D. The agency rejects the CSP
5.		RFS prioritization step	E. The online Service Catalog used to submit the RFS.
6.		The RFS is re-worked by the service provider partner	F. The solution is created and reviewed by the service provider partner
7.		Step where the CSP is presented to the agency?	G. When the agency determines that a technology solution will be needed
8.		The step when the RFS clock begins "ticking"	H. RFS Complexity Level – Complex request
9.		Multi-vendor platforms, third-party vendor	I. Step 3
10.		The RFS Request process should be engaged at this time	J. The primary point of contact for assistance with the RFS process

Topic 3: Project Portfolio Implementation Phase



The Project Portfolio Implementation Phase

- The agency's priority rating for the project is a key determinant of the GETS enterprise-wide project priority.
- This priority determines the kick-off and completion dates.
- The agency is responsible for providing the integrator to collaborate with the agency, Service Provider, GTA, and third-party vendor in the delivery of all project scope.
- This phase follows the six steps outlined below.



```
graph LR; A[Project Kick-off] --> B[Execute Project and process Change Requests]; B --> C[Verify Project Deliverables and Operating in Steady State]; C --> D[Invoice Project Work]; D --> E[Close Project]; E --> F[Evaluate Project Document Lessons Learned];
```

Legend: Agency (Blue), Shared role (Agency, SPP, GTA) (Green)

GTA Oversight and Assistance (indicated by a double-headed arrow)

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If the agency accepts the CSP, the RFS designation is changed to Project (PRJ). However, the tracking number first assigned during the RFS phase remains the same.

The agency, the service provider partners, and the GTA CRM collaborate to prioritize the project in the implementation phase using the same criteria as the request phase, including:

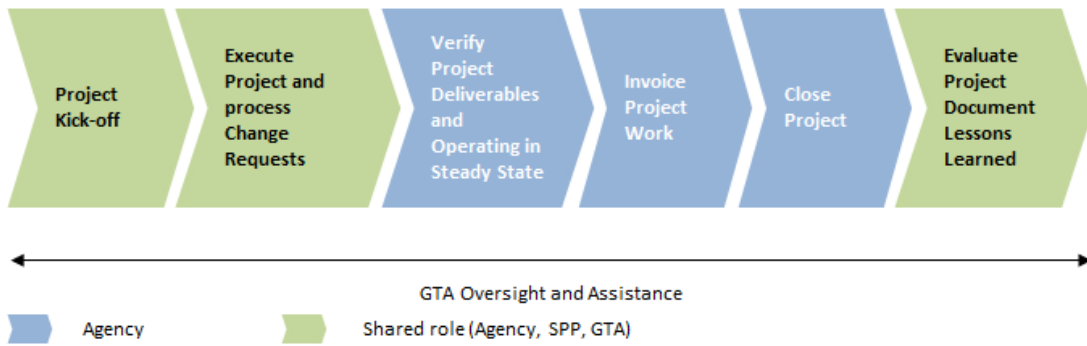
- Key business drivers such as criticality (e.g. health and safety, legal mandate, alignment with agency's strategic goals).
- Scheduling urgency and dependencies (e.g. time sensitive grant, relationship of project to agency transformation).
- Agency's ranking of this project relative to its other outstanding projects.
- Available funding.

The agency's priority rating for the project is a key determinant of the GETS enterprise-wide project priority, which determines its kickoff and completion dates.

Once the project is kicked off, the agency performs end-to-end project management, integrating the collaborative work among agency staff, the service provider partners, and the agency's third-party vendors. Sometimes, an existing agency staff member serves as the project manager and integrator. In other cases, the agency contracts with a third-party project manager to act as the overall integrator.

GTA is responsible for project oversight for the duration of the project. If the agency requires assistance or identifies an issue that requires escalation, the agency's assigned CRM is the first point of contact.

The portfolio project implementation phase consists of the following steps:



Topic 3: Project Portfolio Implementation Phase Steps 1- 3

The Project Portfolio Implementation Phase— Steps 1, 2, & 3

Step 1: Kickoff

- Conduct project kickoff
- Establish team roles

Step 2: Execute Project

- All parties execute project activities
- Agency CIO and CFO must approve any change requests

Step 3: Deliverables accepted

- Agency :
 - Accepts deliverables
 - Verifies they meet scope
 - Deliverables are operational in the enterprise operating environment

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Step 1: The agency collaborates with the service provider partners and third-party vendors to kick off project implementation and establish team roles.

Step 2: Agency staff, service provider partners, and/or third-party vendors execute project tasks. The agency CIO/Requester approves project change requests (PCRs), including changes to a service provider partner baseline, based on business needs. This is a critical task!

The CFO/designee also approves PCRs that have an associated cost.

Step 3: The agency accepts deliverables, verifies that they meet project scope, and are operational in the enterprise operating environment.

Topic 3: Project Portfolio Implementation Phase Steps 4- 6

The Project Portfolio Implementation Phase— Steps 4, 5, & 6

Step 4: Approve Invoices

- The agency validates service provider invoices

Step 5: Close Project

- The agency approves the formal closing of the technology services project

Step 6: Lessons Learned

- All parties collaborate to
 - Evaluate the project implementation
 - Document lessons learned

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Step 4: The agency validates infrastructure and managed network services invoices from service provider partners and approves invoices from third-party vendors.

Step 5: The agency approves the formal closing of the project.

Step 6: The agency, the service provider partners, and GTA collaborate to evaluate the project implementation and document lessons learned.

Topic 3: Project Portfolio Implementation Phase Durations

The Project Portfolio Implementation Phase - Durations



Project durations are impacted by complexity, agency priority, and enterprise priority. Server build estimates are given in the table below.

Type of Request	Time (Business days)
Initiation, resource identification and project kickoff	+/- 15 – 20
Project Execution	+/- 61 – 114
Procurement	+/- 30
SAN Allocation	+/- 18
Cluster servers	+/- 5
Operational Readiness, UAT and acceptance	+/- 10
Project closing and documentation of lessons learned	+/- 10
Total Estimated Project Duration	+/- 96 – 154

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Project duration timelines are impacted by a variety of factors including complexity, agency priority, and enterprise priority.

The following chart provides typical standard server build estimated durations based on six (6) to ten (10) servers with medium complexity and 500 to 1000 project hours (+/- 15%). However, each project is unique, and time frames may vary. More precise durations will be determined at project kick-off.

Server Build Estimated Duration:

Project Phase	Expectation Range (business days)
Initiation, resource identification and project kick-off	+/-15-20
Project execution, which may include: <ul style="list-style-type: none"> • New IP addresses • Load balancing and DNS entries • Agency VPN access completed and tested • Middleware and database installed/configured • RAC solution 	+/-61-114

Project Phase	Expectation Range (business days)
Procurement	+/- 30
SAN allocation	+/- 18
Cluster servers	+/- 5
Operational readiness, UAT and acceptance	+/-10
Project closing and documentation of lessons learned	+/-10
Total Estimated Standard Server Deployment Project Duration	+/-96-154

Complexity of the project, as defined in the chart below, can have an impact on the duration.

Complexity Level	Examples
Simple	<ul style="list-style-type: none"> • 10+ end user moves • Single server install • Connectivity/network upgrade • Install or move 20+ new lines
Standard	<ul style="list-style-type: none"> • Expand/upgrade existing platform • Install new storage arrays • Cascading move requests • Voice and data move to a new building where facilities are available
Complex	<ul style="list-style-type: none"> • Multi-vendor platforms, third-party vendor(s) • Regulated data • Data Center consolidation/relocation • New IVR • New contact center requiring voice and data with new cabling

Exercise 4.2: The Project Implementation Process

Instructions:

Review the Terms and Statements in the table below and match them with the corresponding Definitions.

	?	Terms/Statements	Definition
1.		Factors impacting project duration	A. evaluate the project implementation and document lessons learned
2.		The estimated deployment duration	B. Agency verifies project deliverables and operating in steady state
3.		This follows the execution of the project tasks	C. Complexity, agency priority, and enterprise priority
4.		The key determinant of the GETS enterprise-wide project priority	D. the formal closing of the project
5.		Step 6 is a collaborative effort to...	E. +/- 96-154 business days
6.		The agency has approved what in Step 5?	F. The agency's priority rating
7.		Role of the Integrator	G. The Customer Relations Manager (CRM)
8.		The first point of contact for process assistance or issues to escalate	H. Integrates the collaborative work among agency staff, service provider partners, and third-party vendors.

Lesson 4 Summary: Learning Objectives Recap

- **Understand the process to request an RFS**

The agency will follow a seven step process to request a solution from the service provider. The steps are summarized below.

- **Step 1:** Submit the RFS through Order Now and include the high-level scope and complete set of requirements including third party vendor requirements.
- **Step 2:** The agency, service provider, and CRM collaborate to;
 - Verify requirements
 - Assign a priority
 - Determine level of complexity
- **Step 3:** The agency approves requirements which begins the RFS resolution by the service provider
- **Step 4:** Service provider partners create the solution proposal and submit for internal reviews
- **Step 5:** Internal reviews are performed
- **Step 6:** Service provider partners develop the CSP for presentation to the agency
- **Step 7:** Service provider partners present CSP to agency. RFS is complete
 - If agency accepts CSP, request moves into implementation
 - If agency rejects CSP, it is re-worked or closed

- **Understand the CSP Implementation phase**

There are six step process steps in the CSP implementation phase. The steps are summarized below.

- **Step 1:** Project kick-off with participation from agency, service provider, and third-party vendor personnel
- **Step 2:** Project execution. Change requests (PCRs) are approved by agency CIO or CFO
- **Step 3:** The agency verifies that deliverable meet scope and approve
- **Step 4:** The agency validates infrastructure and managed network services invoices
- **Step 5:** The agency approves final closing
- **Step 6:** The agency, service provider partners, and GTA conduct lessons learned

LESSON 5: CONTROLLING PROCUREMENTS

Topic 1: Overview of Control Procurements

Topic 2: Contract Administration Process

Topic 3: Managing Contract Performance

Topic 4: Resolving Contract Disputes

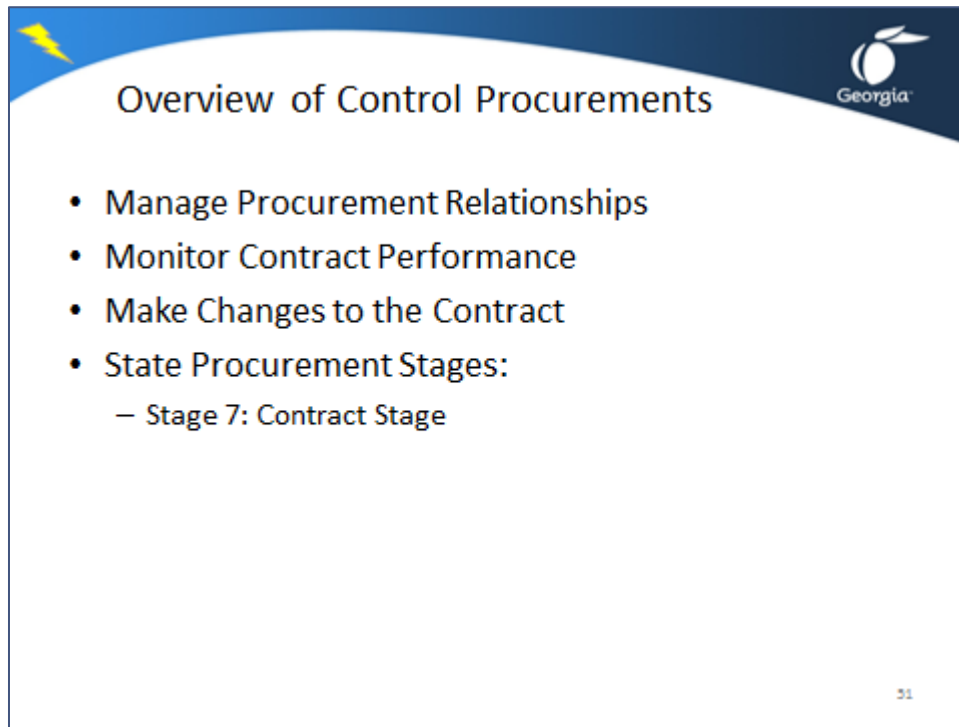
Student Learning Objectives

After completing this lesson you should be able to

- Understand how to manage contract disputes
- Understand monitoring the contract performance
- Understand how to make changes or corrections to the contract

Approximate Presentation time: 1.75 hours

Topic 1: Overview of Control Procurements



Overview of Control Procurements

- Manage Procurement Relationships
- Monitor Contract Performance
- Make Changes to the Contract
- State Procurement Stages:
 - Stage 7: Contract Stage

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Control Procurements is the process of managing procurement relationships, monitoring contract performance, and making changes and corrections to contracts as appropriate. This process ensures that both the seller's and buyer's performance meets procurement requirements according to the terms of the legal agreement.

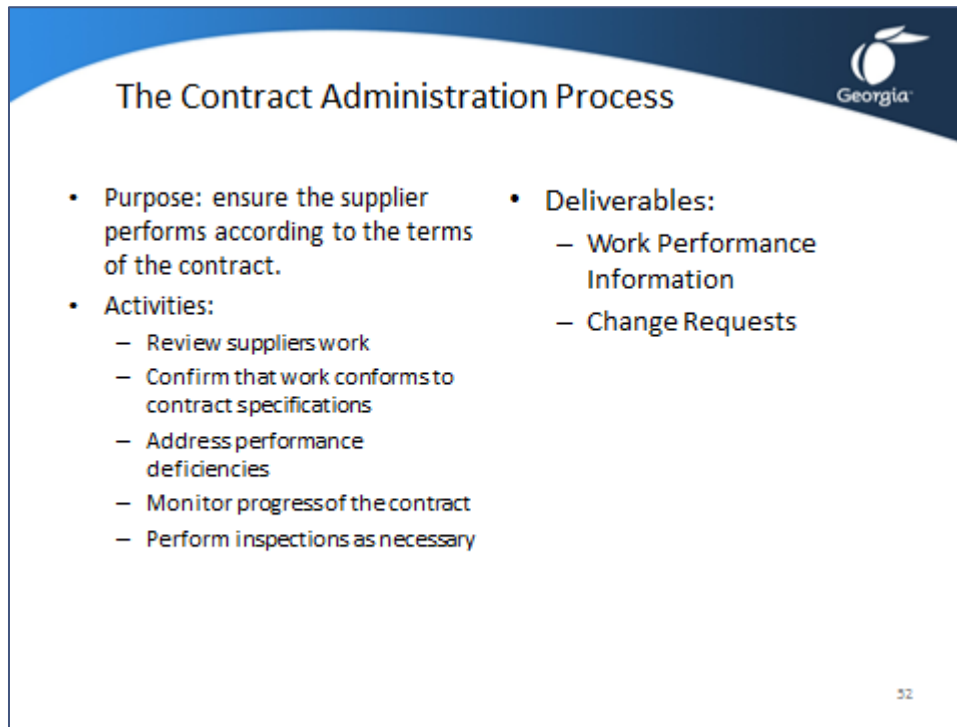
The inputs, outputs, and tools and techniques are discussed below and how State of Georgia procurement stages are integrated to this process.

Key Inputs	Tools and Techniques	Key Outputs
Procurement Documents	Contract change control system	Work performance information
Agreements	Procurement performance reviews	Change requests
Approved change requests	Inspections and audits	
Work performance data	Performance reporting	
Work performance reports		

Elements of the State of Georgia procurement stages that should be performed in this process are described in the table below.

Stage	Activities
7. Contract Stage	Contract Administration Reviewing supplier performance Resolution of disputes

Topic 2: Contract Administration Process



The slide is titled "The Contract Administration Process" and features the Georgia state logo in the top right corner. The content is organized into two main sections: "Purpose" and "Activities" on the left, and "Deliverables" on the right. The "Activities" section contains a list of five tasks, and the "Deliverables" section contains a list of two items.

- Purpose: ensure the supplier performs according to the terms of the contract.
- Activities:
 - Review suppliers work
 - Confirm that work conforms to contract specifications
 - Address performance deficiencies
 - Monitor progress of the contract
 - Perform inspections as necessary
- Deliverables:
 - Work Performance Information
 - Change Requests

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The goal of *contract administration* is to ensure the supplier performs according to the terms of the contract and that both parties (e.g., the supplier and the state entity) properly discharge their responsibilities.

For service agreements or complex projects, the state entity may elect to assign an individual to serve as the *project manager*. The *project manager* is generally responsible for both technical oversight and direction. The project manager (in conjunction with other applicable staff) is responsible for:

- Reviewing all work that has been or is being performed by the supplier,
- Confirming that the work being performed is in accordance with the specifications and provisions of the contract,
- Addressing any performance deficiencies,
- Monitoring the progress of the contract, and
- Performing inspections as necessary.

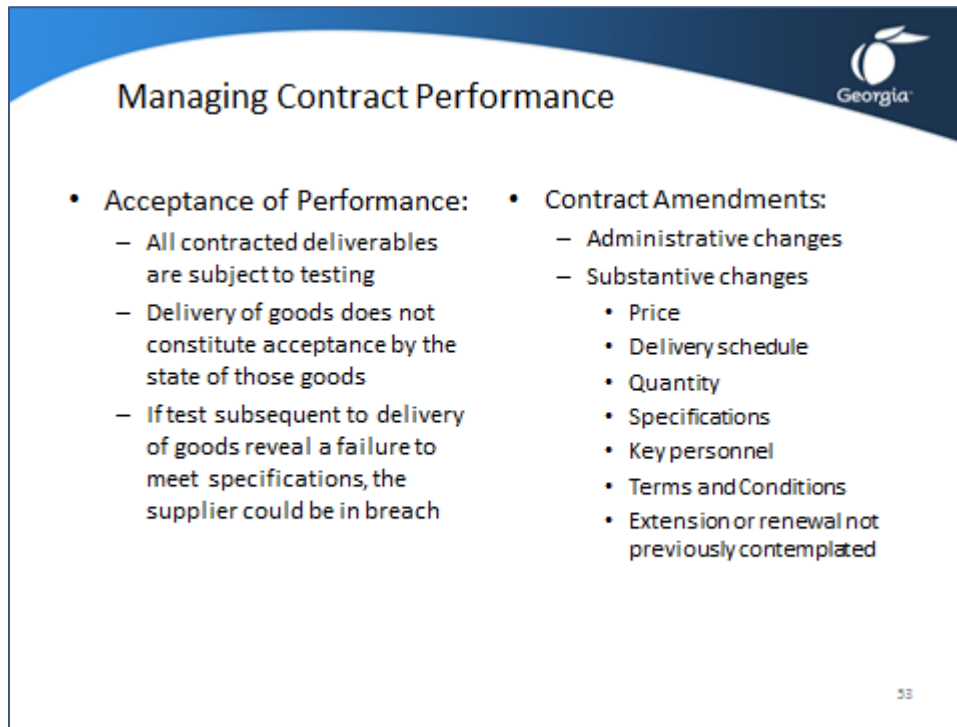
In addition, whenever the contract so prescribes, the project manager is responsible for acceptance of the work product or service provided. If changes need to be made to the contract in the form of modifications, terminations or claims disposition, then the contract administrator manages this process.

Deliverables:

The following deliverables should be produced during the Control Procurements process.

- Work performance information
- Change requests

Topic 3: Managing Contract Performance



Managing Contract Performance

- **Acceptance of Performance:**
 - All contracted deliverables are subject to testing
 - Delivery of goods does not constitute acceptance by the state of those goods
 - If test subsequent to delivery of goods reveal a failure to meet specifications, the supplier could be in breach
- **Contract Amendments:**
 - Administrative changes
 - Substantive changes
 - Price
 - Delivery schedule
 - Quantity
 - Specifications
 - Key personnel
 - Terms and Conditions
 - Extension or renewal not previously contemplated

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Monitoring Contract Performance:

Each supplier's contract performance is governed by the specific terms of the contract. The supplier will receive either a signed contract or a purchase order (or both) from the state entity. The purchase order and/or signed contract will include the terms, conditions and specifications governing the supplier's contract performance as well as any of the supplier's exceptions that were accepted by the state entity. No supplier is authorized to begin contract performance prior to receiving a signed contract or purchase order from the state entity.

Review and Acceptance of Contract Performance:

All goods, services and other contract deliverables delivered to any state entity will be subject to inspection, testing and other appropriate review. The supplier's delivery of such goods, services and other contract deliverables does not constitute the state entity's acceptance. Goods, services or other contract deliverables that do not meet applicable contract specifications and requirements will be rejected. Failure to reject upon receipt, however, does not relieve the supplier of its liability. If tests subsequent to delivery reveal a failure to meet specifications, the supplier will be deemed to have breached the contract.

Contract Amendments (change order process):

All *contract amendments* must occur in writing as further described in the following sections, which define the two types of contract amendments:

Administrative change:

Administrative change refers to a contract change that is within the scope of the contract and does not affect or alter the rights of the parties. Examples of administrative changes include, but are not limited to:

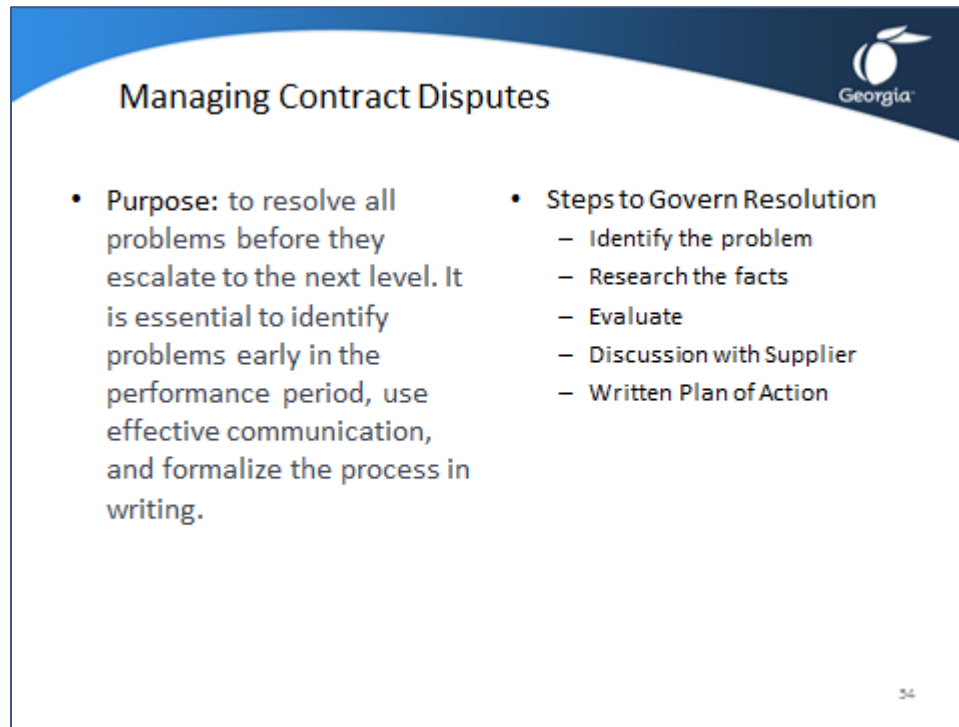
- Changes in billing instructions or address,
- Corrections of typographical errors not affecting the substance of the contract,
- Changes as permitted by the specific contract clauses, and
- Changes in State Entity personnel assigned to administer the contract.

Substantive change:

Substantive change refers to a contract change that affects the rights of the parties. Examples of substantive changes include, but are not limited to:

- Change in the price(s) of the contract,
- Change in delivery schedule,
- Change in the quantity,
- Change of nature of deliverables, for example, the specification,
- Change of key personnel,
- Change of any terms and conditions, and/or
- An extension or renewal of the contract not previously contemplated by the contract.

Topic 4: Managing Contract Disputes



Managing Contract Disputes

- **Purpose:** to resolve all problems before they escalate to the next level. It is essential to identify problems early in the performance period, use effective communication, and formalize the process in writing.
- **Steps to Govern Resolution**
 - Identify the problem
 - Research the facts
 - Evaluate
 - Discussion with Supplier
 - Written Plan of Action

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A contract is awarded with the expectation that both the supplier and the state of Georgia have entered into the agreement in good faith, and that both parties will perform their respective duties and obligations in accordance with the contract specifications, terms and conditions and at the quoted price.

At times, the supplier and the state entity may disagree over performance or other contract issues. In this event, the supplier and state entity must work in good faith through the dispute resolution process. In addition, situations arise when the supplier does not perform and the state entity may suffer damages as a result. Typical non-performance issues include, but are not limited to:

- Missing a scheduled delivery date and time,
- Providing inferior merchandise or unauthorized substitutions,
- Altering contract pricing,
- Unauthorized use of subcontractors,
- Unauthorized assignment of the contract to another supplier,
- Inadequate or unqualified workers, and/or
- Late or failed delivery.

Non-performance must be reported to SPD and addressed through the contract default process. Failure to resolve non-performance issues will result in contract termination and/or the supplier's suspension and debarment.

Dispute Resolution:

Proper dispute resolution is a core skill of successful contract management. The goal of the resolution process is to resolve all problems before they escalate to the next level. It is essential to identify problems early in the performance period, use effective communication, and formalize the process in writing. To avoid escalation and assure the state entity has not exacerbated potential problems, it is imperative that state entity personnel respond promptly to all supplier inquiries. The general steps in the dispute resolution process are described in the table below; however, nothing in this section will supersede the terms of the contract with respect to dispute resolution (such as provisions governing escalation process, mediation, etc.).

Activities:

The following activities should be followed during dispute resolution;

General Steps Governing Dispute Resolution	
Steps	Description of Step
Step 1: Identify the problem	The contract administrator should obtain all the information regarding the potential problem from all relevant sources, including the project manager, representative customers and the supplier.
Step 2: Research facts	Once the problem is identified, the contract administrator must review the contract to confirm that the issue is a part of the contract. If the issue is not covered by the contract, the state entity cannot expect the supplier to perform outside the agreement.
Step 3: Evaluation	The contract administrator should review all the facts in conjunction with the requirements and terms and conditions of the contract. The contract administrator should then confer with the program manager (and management and budget, if necessary) to determine the appropriate course of action.
Step 4: Discussion with Supplier and Written Plan of Action	Identify the problem to the supplier and discuss resolution. Frequently, what may appear to be a problem can be resolved by providing the supplier with information or clarification. The resolution should be formalized in writing.

Exercise 5.1: Controlling Procurements

Instructions:

Review the Terms and Statements in the table below and match them with the corresponding Definitions.

	?	Terms/Statements	Definition
1.		The process of managing procurement relationships, monitoring contract performance, and making changes and corrections to contracts	A. A non-performance issue
2.		Types of contract amendments	B. Identify the problem
3.		The time a supplier is authorized to begin work	C. Control Procurements
4.		First step in dispute resolution	D. Administrative and Substantive
5.		Missing a scheduled delivery date	E. After receiving a signed contract or purchase order
6.		Contract change control system	F. The project manager
7.		Responsible for acceptance of the work product or service provided	G. Tool and Technique for Control Procurements

Lesson 5 Summary: Learning Objectives Recap

- **Understand how to manage contract disputes**

Proper dispute resolution is a core skill of successful contract management. The goal of the resolution process is to resolve all problems before they escalate to the next level. It is essential to identify problems early in the performance period, use effective communication, and formalize the process in writing. To avoid escalation and assure the state entity has not exacerbated potential problems, it is imperative that state entity personnel respond promptly to all supplier inquiries.

Step 1: Identify the problem

Step 2: Research facts

Step 3: Evaluation

Step 4: Discussion with Supplier and Written Plan of Action

- **Understand monitoring the contract performance**

Review and Acceptance of Contract Performance:

All goods, services and other contract deliverables delivered to any state entity will be subject to inspection, testing and other appropriate review. The supplier's delivery of such goods, services and other contract deliverables does not constitute the state entity's acceptance.

- **Understand how to make changes or corrections to the contract**

Contract Amendments (change order process):

All *contract amendments* must occur in writing and consist of two types:

- Administrative change
- Substantive change

LESSON 6: CLOSING PROCUREMENTS

Topic 1: Completing Contract Close-out

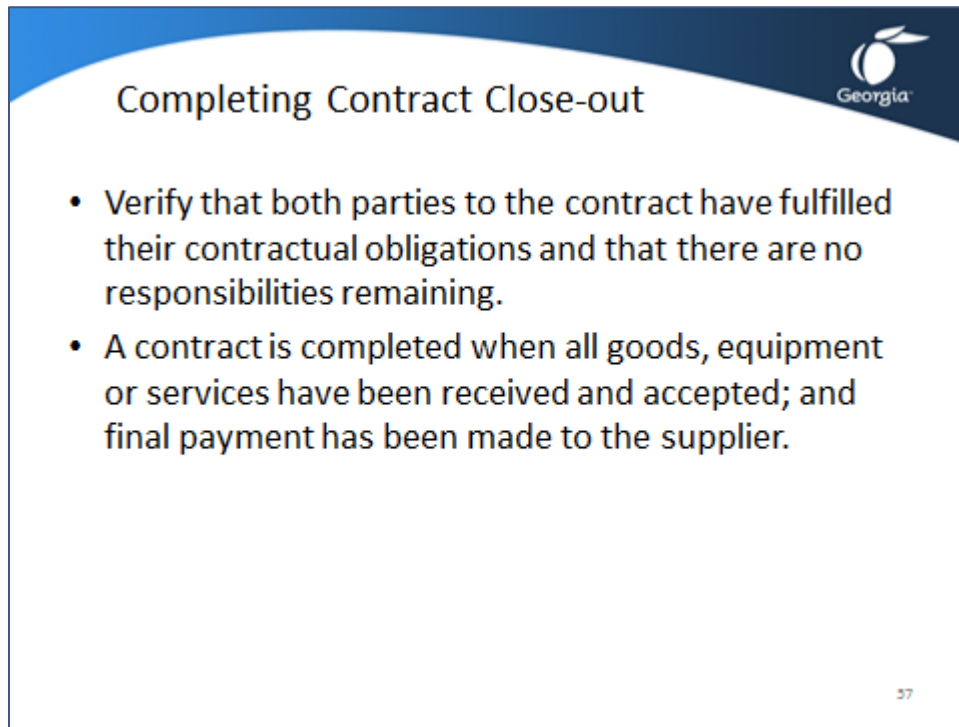
Student Learning Objectives

After completing this lesson you should be able to

- Understand the purpose of closing a procurement
- Understand the steps to ensure adequate closure of an agreement

Approximate Presentation time: 1 hour

Topic 1: Completing Contract Close-out



Completing Contract Close-out

- Verify that both parties to the contract have fulfilled their contractual obligations and that there are no responsibilities remaining.
- A contract is completed when all goods, equipment or services have been received and accepted; and final payment has been made to the supplier.

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The purpose of the *closeout process* is to verify that both parties to the contract have fulfilled their contractual obligations and that there are no responsibilities remaining. A contract is completed when all goods, equipment or services have been received and accepted; all reports have been delivered and accepted; all administrative actions have been accomplished; all state entity-furnished equipment and material has been returned; and final payment has been made to the supplier.

Topic 1: Completing Contract Close-out



Completing Contract Close-out

- Closing Activities
 - Product verification
 - Specifications met
 - Formal acceptance
 - Administrative close-out
 - Final payment
 - Finalize open claims
 - Final performance reports
 - Archive contract documents
- Early Termination
 - Can result from one or both parties
 - Discussed in Contract termination clause
- Key Outputs
 - Closed Procurements
 - notice from the buyer that the contract is completed
 - Negotiated Settlements
 - Settle claims by negotiation
 - Mediation is an alternative
 - Litigation is least desirable
 - OPA Updates
 - Procurement files
 - deliverable acceptance
 - lessons learned document

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In the Close Procurement process two primary activities occur; product verification and administrative close-out.

Product verification involves the project team verifying that the acquired product or service meets the specifications in the agreement with the seller. There should also be a formal acceptance and sign off of the product or service that closes the contract. The team should also make sure there are no other liabilities associated with the contract.

The administrative close-out activities may include final contract payments; finalizing any open claims; updating project records; contract performance reporting; and archiving the contract files for future reference. The contract files normally include documentation such as the contract, progress reports, financial records, invoices, and payment records. If the organization uses a procurement department, these administrative activities will normally be handled through it.

Unresolved claims may be subject to litigation upon contract closure.

Early Termination:

- Can result from mutual agreement from both parties, or from one party
- The rights and responsibilities in the event of an early termination are contained in terminations clauses in the contract

Key Outputs:

- **Closed Procurements.**

A formal, written notice from the buyer that the contract has been completed. The details of the closure are agreed upon when the contract is finalized and is detailed in the Terms and Conditions of the contract, as well as the Procurement Management Plan.

- **Negotiated Settlements.**

- Goal is to settle outstanding claims and issues by negotiation
- Mediation may be an alternative
- Litigation is least desirable option

- **Organizational Process Assets updates.**

Procurement file, deliverable acceptance, and lessons learned documentation

Lesson 6 Summary: Learning Objectives Recap

- **Understand the Purpose of Closing a Procurement**

The purpose of the *closeout process* is to verify that both parties to the contract have fulfilled their contractual obligations and that there are no responsibilities remaining.

In the Close Procurement process two primary activities occur; product verification and administrative close-out.

Product Verification:

- The work has been completed
- A formal acceptance has been signed and delivered

Administrative Close-out:

- Final contract payments
- Finalizing any open claims
- Updating project records
- Contract performance reporting
- Archiving the contract files for future reference

- **Understand the steps to ensure adequate closure of an agreement**

The following steps should be taken to ensure proper closure of the agreement;

- Conduct a formal acceptance and sign-off of the product or service
- Resolve any open claims with the seller or buyer
- Conduct a lessons learned
- Archive all procurement documents and files

APPENDIX I - EXERCISE ANSWERS

Exercise 1.1: High Level Procurement Process Mapping

Instructions:

Review the terms in the table below and match each term to its definition.

	?	Term	Definition
1.	E	Plan Procurement Management	A. a contractor, subcontractor, vendor, service provider, or supplier
2.	A	Seller	B. Conduct Procurements
3.	G	PMBOK Close Procurements maps to which State process	C. represents a mutually binding agreement that obligates the seller to provide something of value and obligates the buyer to provide monetary or other valuable compensation.
4.	F	Buyer	D. Conduct Procurements
5.	J	The Georgia Procurement Manual	E. the process of documenting project procurement decisions, specifying the approach, and identifying potential sellers
6.	I	Project Procurement Management	F. a client, customer, prime contractor, contractor, acquiring organization, service requestor, or purchaser
7.	B	Stage 4 of the State process maps to which PMBOK process?	G. Stage 7 Contract Process
8.	C	Contract	H. the process of obtaining seller responses, selecting a seller, and awarding a contract.
9.	H	Conduct Procurements	I. allows the project team to purchase or acquire products, goods, or services needed by the project from outside the project team
10.	D	Stage 6 Award Process	J. Contains the Seven Stages of Procurement Methodology

Exercise 2.1: Contracts

Instructions:

Part 1 – Read the scenarios below and determine if a valid contract exists

1. A seller has signed a contract with a buyer project manager to buy a software package for \$25,000. The buyer will not pay the invoice since they claim that the project manager does not have the right to legally obligate them to this contract. The seller states that they entered the contract in good faith and that the project manager said he had the authority. The seller delivered the software and it was installed and tested by the project team.

The contract is NOT valid since the project manager did not have legal capacity. The seller claims that the project manager stated that he had the authority, but this was not correct. It is possible the employee will be fired, but the contract is not valid.

2. A client manager and a seller sign a contract to paint a building for \$10,000. Before the work starts the client finds another seller that will paint the building for \$8,500. The client cancels the original contract stating that since the work was not started yet, the seller has not suffered any harm.

The contract is valid. The buyer cannot simply void the valid contract just because he found a cheaper price later.

Part 2 – Read the scenarios below and determine if a valid contract exists

1. Vanessa is working with a seller on a Cost Plus Incentive Fee contract. The Target Cost is \$175,000; Actual Cost is \$200,000; Target Fee is \$50,000 and the Share ratio is 80/20. What is the total payment for the contract?

$$\text{CPIF} = \text{Actual Cost} + \text{Target Fee} + ((\text{Target Cost} - \text{Actual Cost}) * \text{Share Ratio})$$
$$= \$200,000 + \$50,000 + ((\$175,000 - \$200,000) * .20) = \mathbf{\$245,000}$$

2. A Firm Fixed Price contract calls for the seller to receive \$25,000 at the completion of the project. The seller expects the costs to be \$20,000 which will result in a 25% profit on this contract. The actual cost for the seller is \$27,000. How much should the buyer expect to pay the seller?

\$25,000, which was the Firm Fixed Price.

3. A Fixed Incentive Fee contract states a price to the buyer of \$125,000, which includes a \$20,000 target fee. In addition, the seller will receive an incentive fee of \$10,000 to the seller if the project is completed by July 31st. There is a 60/40 sharing over the target price. The ceiling price is \$135,000. The actual cost of the work for the seller is \$110,000 and the

project was completed August 20th. What is the amount that the buyer should expect to pay to the seller?

$$\text{FPF} = \text{Actual Cost} + \text{Target Fee} + ((\text{Target Cost} - \text{Actual Cost}) * \text{Share Ratio}) + (\text{Incentive if achieved})$$

The ceiling price is the maximum that the buyer will pay. The key to the exercise is to recognize that the Target Cost is \$105,000 and the Target Fee is \$20,000. This makes up the final price of \$125,000 in the initial contract.

$$\begin{aligned} &= \$110,000 + \$20,000 + ((\$105,000 - \$110,000) * .04) + (\text{Incentive fee of zero}) \\ &= \$130,000 - \$2,000 = \mathbf{\$128,000} \end{aligned}$$

The seller did not receive the incentive. The ceiling price is not applicable since the amount is less.

Exercise 2.2: Develop Product Requirements for RFP

Instructions:

Review the list of requirements from the Case Study. Indicate whether the requirement should be categorized as *mandatory*, *mandatory scored*, *optional*, or *additional scored*.

ID	Description	Category
R001	Must allow customers to place orders via internet	Mandatory
R002	Must allow for credit card payment	Mandatory
R003	Must allow discounts for customers with over 50K sales	Mandatory
R004	Must determine shipping cost at time of purchase	Mandatory
R005	Must provide real time product information to customer	Mandatory
R006	Must not allow orders to exceed \$1,000	Mandatory
R007	Must interface with Credit Card company for authorization	Mandatory
R008	Must interface with Shipping company for order tracking	Mandatory
R009	Must interface with current legacy system	Mandatory scored
R010	The seller must provide documentation on project approach	Mandatory scored
R011	The seller must provide the past three years Balance Sheets	Mandatory
R012	The seller must provide three references from customers with similar engagements to this	Mandatory scored
R013	The seller shall provide a staffing plan for this engagement with individual resumes	Mandatory
R014	The seller shall provide documentation on software development approach	Mandatory scored
R015	The seller must provide warranty documentation	Mandatory
R016	Should allow customer to create a profile	Optional
R017	Should have product search capability	Optional
R018	Should continue special reporting for preferred customers	Optional
R019	Should calculate shipping cost when totaling order	Optional
R020	Should send email confirmation to customer	Optional
R021	Should store frequently purchased items	Optional
R022	Should calculate orders and display in less than 1 sec	Optional
R023	Should password protect customer information	Optional

Exercise 3.1: Identify Evaluation Criteria Type

Instructions:

Review the list of requirements from the Case Study. Indicate whether the evaluation criteria should be *Responsive* or *Responsible*.

ID	Description	Selection Criteria
R001	Must allow customers to place orders via internet	Responsive
R002	Must allow for credit card payment	Responsive
R003	Must allow discounts for customers with over 50K sales	Responsive
R004	Must determine shipping cost at time of purchase	Responsive
R005	Must provide real time product information to customer	Responsive
R006	Must not allow orders to exceed \$1,000	Responsive
R007	Must interface with Credit Card company for authorization	Responsive
R008	Must interface with Shipping company for order tracking	Responsive
R009	Must interface with current legacy system	Responsive
R010	The seller must provide documentation on project approach	Responsible
R011	The seller must provide the past three years Balance Sheets	Responsible
R012	The seller must provide three references from customers with similar engagements to this	Responsible
R013	The seller provide a staffing plan for this engagement with individual resumes	Responsible
R014	The seller must provide documentation on software development approach	Responsible
R015	The seller must provide warranty documentation	Responsible
R016	Should allow customer to create a profile	Responsive
R017	Should have product search capability	Responsive
R018	Should continue special reporting for preferred customers	Responsive
R019	Should calculate shipping cost when totaling order	Responsive
R020	Should send email confirmation to customer	Responsive
R021	Nice to store frequently purchased items	Responsive
R022	Should calculate orders and display in less than 1 sec	Responsive
R023	Should password protect customer information	Responsive

Exercise 3.2: Conduct Procurements

Instructions:

Review the statements and terms in the table below and match each to its definition.

	?	Statements/Term	Definition
1.	F	Seller proposals	A. responsive and responsible
2.	E	Public Advertisement and Notice	B. the state entity publicly announces the results of the evaluation process
3.	H	Publish evaluation results	C. the procurement enters the Evaluation stage
4.	I	Conduct Procurements is	D. Selected sellers and Agreements
5.	G	Negotiations occur here	E. First step in the Solicitation Stage
6.	C	The solicitation is considered officially closed when...	F. Input to the Conduct Procurement process
7.	A	A supplier must be both _____ and _____ to be eligible for further consideration	G. The Evaluation Stage
8.	D	The key outputs of the Conduct Procurement process	H. A step in the Award Stage
9.	B	The Award Stage	I. the process of obtaining seller responses, selecting a seller, and awarding a contract

Exercise 4.1: The RFS Request Process

Instructions:

Review the Terms and Statements in the table below and match them with the corresponding Definitions.

	?	Term/Statement	Definition
1.	J	Customer Relations Manager (CRM)	A. Step 7
2.	C	Architecture Review Board	B. Step 2
3.	E	<i>OrderNow!</i>	C. One of the groups in Step 5 that reviews the RFS
4.	F	Step 4	D. The agency rejects the CSP
5.	B	RFS prioritization step	E. The online Service Catalog used to submit the RFS.
6.	D	The RFS is re-worked by the service provider partner	F. The solution is created and reviewed by the service provider partner
7.	A	Step where the CSP is presented to the agency?	G. When the agency determines that a technology solution will be needed
8.	I	The step when the RFS clock begins "ticking"	H. RFS Complexity Level – Complex request
9.	H	Multi-vendor platforms, third-party vendor	I. Step 3
10.	G	The RFS Request process should be engaged at this time	J. The primary point of contact for assistance with the RFS process

Exercise 4.2: The Project Implementation Process

Instructions:

Review the Terms and Statements in the table below and match them with the corresponding Definitions.

	?	Terms/Statements	Definition
1.	C	Factors impacting project duration	A. evaluate the project implementation and document lessons learned
2.	E	The estimated deployment duration	B. Agency verifies project deliverables and operating in steady state
3.	B	This follows the execution of the project tasks	C. Complexity, agency priority, and enterprise priority
4.	F	The key determinant of the GETS enterprise-wide project priority	D. the formal closing of the project
5.	A	Step 6 is a collaborative effort to...	E. +/- 96-154 business days
6.	D	The agency has approved what in Step 5?	F. The agency's priority rating
7.	H	Role of the Integrator	G. The Customer Relations Manager (CRM)
8.	G	The first point of contact for process assistance or issues to escalate	H. Integrates the collaborative work among agency staff, service provider partners, and third-party vendors.

Exercise 5.1: Controlling Procurements

Instructions:

Review the Terms and Statements in the table below and match them with the corresponding Definitions.

	?	Terms/Statements	Definition
1.	C	The process of managing procurement relationships, monitoring contract performance, and making changes and corrections to contracts	A. A non-performance issue
2.	D	Types of contract amendments	B. Identify the problem
3.	E	The time a supplier is authorized to begin work	C. Control Procurements
4.	B	First step in dispute resolution	D. Administrative and Substantive
5.	A	Missing a scheduled delivery date	E. After receiving a signed contract or purchase order
6.	G	Contract change control system	F. The project manager
7.	F	Responsible for acceptance of the work product or service provided	G. Tool and Technique for Control Procurements

CASE STUDY – SPEEDY OFFICE SUPPLIES WEB EXPANSION PROJECT

Company Overview

Speedy Office Supplies has been in business for 15 years and is recognized as the leader in discount office supplies. We have a reputation of providing high quality products at reasonable prices and offering superior customer service. We are selling to corporate clients, governmental agencies, and individuals. Our customers are served by over 40,000 employees through direct sales, catalogs, e-commerce and more than 2,000 stores. Eighty percent of our business is currently done in our 2,000 retail stores.

Over the past five years the Retail Store Division has shown a steady decline in sales and profitability; energy costs have increased by 30% for our fleet vehicles and retail stores; employee health care costs have increased by 75% and continue to rise. Market trends and customer preferences are indicating that customers desire the ability to order their products on-line at times convenient to them. The SOS management team believes if we phase-out the Retail Store Division and replace it with a web-based ordering system and consolidation of our distribution network, we anticipate a savings of nearly 10 million dollars per year. This would also need to integrate into the existing supply chain systems. Customer satisfaction surveys also indicate a favorable reaction to the concept of web-based sales, which could increase our current sales by at least 25% over the next 5 years. Based on this information SOS management has made a decision to close all the brick and mortar stores within 18 months. We believe this decision will significantly cut costs and that we can be just as successful selling our products on our website.

Currently orders for products are received via in-store requests, phone calls, or catalog mail-in from customers. We access our online system to check inventory, prices, and estimated shipping dates. If the order total is over \$100,000 we turn it over to a supervisor. We then call the Credit Card Authorization Company to check the customer's credit card account. If the credit card charge is authorized we enter the order into the system. The current system is an old mainframe application and is very cumbersome.

There are purchasing agreements, special discounts, and payment terms for our clients purchasing over \$50,000 per year. In the past, we have billed these customers on a monthly basis, providing them with a detailed listing by location of their purchases. We want to make it easier for them to pay via credit card each time they place an order to increase our cash flow and lower our Accounts Receivable. If possible, we still want to provide select customers the same reporting on a monthly basis for their purchases by location.

Federal Express and UPS are currently bidding on the exclusive rights for delivery of all customer office supplies. Each company is proposing an online interface to track shipments, including the name of the person who signs for the delivery. The shipment will need to have a label and detailed purchase order slip with the package. The cost of shipping is determined by the size of the package, weight, location, insurance, and timeliness of delivery. The customer will need an accurate shipping cost at the time of purchase.

Project Request

Our main focus for this project is to create the shopping experience for our retail customer on the website and to place product orders on the Internet. We want to have real time information regarding product description; quantities; pricing; availability; payment processing; shipping method options with associated costs; delivery date; and order tracking. All information currently available at the retail stores and in the catalogs should be available and consistent with the Internet.

It would be nice if there were a place on the Internet for the customer to build a profile and store frequently purchased items in a list to use for future purchases. This would be very beneficial for large organizations that purchase the same products frequently.

We envision using our existing customer number and allowing each customer to create a password to ensure security. Anyone could look at the products online, but only registered customers would be allowed to place orders. The web site should have search ability by several options: product item number (from the catalog), product type, color, and size.

Hopefully when a customer places an order the software would quickly calculate a shipping charge and present the order total to the customer. We would not allow orders totaling more than \$1000 to be placed on the web. The software should also email a confirmation to the customer if requested.

Departments Involved

The **Marketing Department** is responsible for customer reporting and the negotiations for preferred customer status including volume discounts. Our largest customers receive one monthly bill for all their departments' purchases and a report showing the detailed purchases. Additionally, marketing maintains the customer profiles, which are used to process orders, verify billing information, discounts, and reduce redundancy by eliminating the need for the customer to always enter their company information.

The **Customer Service Department** will need access to all information regarding customer orders to assist with the web site usage and handle any possible complaints.

Accounts Receivable is responsible for processing and sending bills to our preferred customers. The web ordering system will need to notify accounts receivable when one of our preferred customers request their order to be direct billed. Some customers have negotiated payment terms and discount rates based on volumes. They work with the Collections Department for any outstanding receivables beyond 90 days. On a monthly basis Accounts Receivable produces an aging report.

Inventory Management is impacted by a reduction in inventory from placed orders and an increase in inventory from cancellations and returns. They are responsible for managing the inventory and placing orders with vendors. Inventory Management is also responsible for handling returns, including items that have to be returned to the suppliers as defective.

Order Fulfillment receives an order notification from the order processing system containing all necessary information required to assemble the order. They are responsible for producing the packaging slips, retrieving the supplies, assembling the order into a bin or crate, and delivering the order to the Shipping Department.

The **Shipping Department** receives the order from the Order Fulfillment department and prepares the order for shipment. The packing slip contains the shipping method requested by the customer and the estimated shipping timeframe. The Shipping Department is responsible for notifying the shipping company and updating the order status.

Outside Organizations

The **Shipping Company** currently has an online tracking system. Our web ordering system will have a direct link to the shipping company's web site for the customer to track packages using the tracking number provided by the Shipping Department to the order status system.

The **Credit Card Processor** currently authorizes customer purchases made in the stores, over the phone, or via fax. An additional interface will need to be established between the web application to receive the customer and order information and to return an authorization code.