

# Procurement Basics

Presented by  
Department of General Services  
Bureau of Procurement

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# Course Objectives

After completion of this course, you will be able to:

- Describe the requirements for using COPA resources prior to procuring from outside suppliers
- Recognize the procurement thresholds and methods used for procuring materials and services
- Follow the procurement cycle and what's involved in the process
- Interpret procurement terms



# Introduction to Procurement Basics

Procurement is the complete process of obtaining materials, services and construction from preparation and processing of a requisition through to receipt and approval of the invoice for payment.



# Introduction to Procurement Basics

It involves purchase planning, standards determination, specifications development, supplier research, value analysis, price negotiation, making the purchase, and contract administration and monitoring.



# Requirements for using COPA resources prior to procurement from supplier



# Purchasing Hierarchy for Obtaining Materials and/or Services

- If purchasing a material, the purchaser must determine if the material is available from:
  - DGS, State Surplus Property Division
  - A local storeroom or storage area
  - The DGS Warehouse or Agency Warehouse
  - From PIBH Carve Out List
  - An existing contract



# Purchasing Hierarchy for Obtaining Materials and/or Services

- If purchasing a service, the purchaser must determine if the service is available from:
  - Another Commonwealth agency
    - Example: Engineering services from PennDOT or DEP
  - An existing contract, including UniqueSource



# Purchasing Hierarchy for Obtaining Materials and/or Services

- If purchasing printing or photographic equipment, materials or supplies, the purchaser must determine prior to procuring from an outside supplier if they are available from:
  - Commonwealth Media Services
  - DGS Print Shop
- DGS Warehouse: Examples of items available include:
  - Forms
  - Calcium Chloride



# Purchasing Hierarchy for Obtaining Materials and/or Services

- DGS, State Surplus Property Division: Examples of items available include:
  - Used Furniture: Desks, chairs, file cabinets, and storage cabinets
  - Used Office Equipment: Fax machines, computers, copiers, and printers
  - Used Vehicles: Passenger cars, SUVs, pick-up trucks, vans, heavy duty trucks, graders, and loaders
  - Miscellaneous: Air conditioners, cubical partitions and attachments

Contact the DGS State Surplus Property Division or the Bureau of Office Services, Procurement and Inventory Management Support Unit for a list of items available.



# Purchasing Hierarchy for Obtaining Materials and/or Services

- Commonwealth Media Services (CMS) – Provides a variety of media services, including, but not limited to:
  - Event set-up/coverage
  - Video production
  - Audio production
  - Photography
  - Film processing
  - Graphic/web design

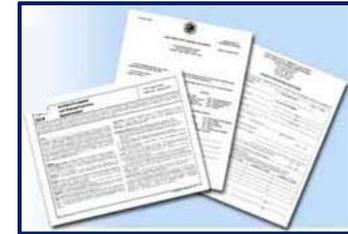


When these services are obtained from an outside supplier, a waiver must first be obtained from CMS (see Management Directive 220.1).



# Purchasing Hierarchy for Obtaining Materials and/or Services

- If the answer to all of these is no, then the purchaser must determine the appropriate purchasing method, based on dollar threshold, and purchase the item from a supplier



# Thresholds



# Thresholds

Materials	Dollar Threshold	Services	Dollar Threshold	Construction	Mfg Equip Repair, Cal. Maint & Mod Svc	Dollar Threshold	Mfg Repair Parts/Sftwre Lic Agrment & Renewals	Dollar Threshold
No Bid No Documents Agency	≤ \$10,000	No Bid No Documents Agency	≤ \$10,000	*See Part IV <sub>2</sub>	No Bid No Documents Agency	≤ \$25,000	No Bid No Documents Agency	≤ \$25,000
Formal Method Agency	\$10,000.01 - \$100,000	Formal Method Agency	\$10,000.01 - \$250,000		Formal Method - Agency	\$25,000.01 - \$100,000	Formal Method - Agency	\$25,000.01 - \$100,000
Formal Method DGS	> \$100,000	Formal Method DGS/Agency Delegated	> \$250,000		Formal Method - DGS	> \$100,000	Formal Method - DGS	> \$100,000

\*See Part IV of the Procurement Handbook.



# Thresholds

- For Materials and Services less than \$10,000, when no contract exists, no bid and no document is required
- For Materials between \$10,000.01 and \$100,000, when no contract exists, the purchaser must follow the formal method of procurement. This will normally be in the form of an Invitation for Bid (IFB), when the material can be satisfactorily described and price is the only determining factor in the award.
- For Materials over \$100,000, when no contract exists, DGS will handle the procurement process



# Thresholds

- For Services between \$10,000.01 and \$250,000, when no contract exists, the purchaser must follow the formal method of procurement. This may be in the form of an Invitation for Bid (IFB) or a Request for Proposal (RFP), which may be used when an IFB is not practicable or advantageous to the Commonwealth; when seeking a solution to a problem and want to give proposers flexibility; when you need the ability to consider factors other than price; or when you need the ability to negotiate with proposers.
- For Services over \$250,000, when no contract exists, DGS may handle the procurement, or they may delegate it back to the agency to process, in which they would follow the formal method of procurement.



# Thresholds

**Thresholds for Specific Procurements** – The following not to exceed thresholds apply for specific procurements by all Commonwealth Agencies for which DGS is to act as the purchasing agency.

1. For the repair, maintenance, modification, or calibration of equipment services to be performed by, and repair parts supplied by, the manufacturer of the equipment or by the manufacturer's authorized dealer, agencies are authorized to procure, on a no-bid basis, up to \$25,000. From \$25,000.01 to \$100,000 is formal method agency. Over \$100,000 is DGS Formal. This includes maintenance agreements purchased from the Original Equipment Manufacturer (OEM) or an authorized service provider.



# Thresholds

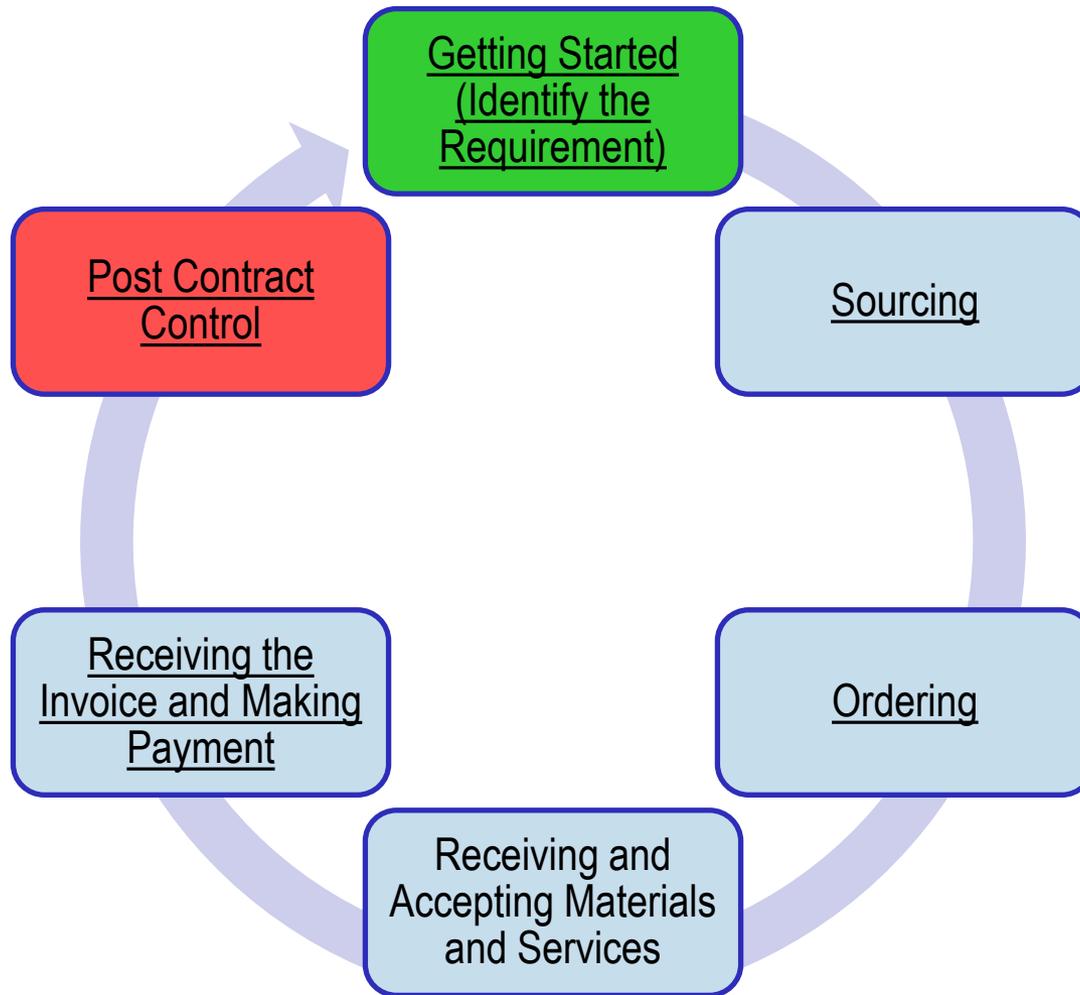
## Thresholds for Specific Procurements (Cont'd)

2. For software license maintenance agreements and extensions of software licenses, agencies are authorized to procure, on a no-bid basis, up to \$25,000. From \$25,000.01 to \$100,000 is formal method agency. Over \$100,000 is DGS Formal.
3. For agency leasehold construction improvements, agencies are authorized to procure, on a no-bid basis, up to \$15,000 (see Part I Chapter 12, Real Estate Leases)

# Procurement Cycle



# Procurement Cycle



# Procurement Cycle

## Steps in the Procurement Cycle

- **Identify the Requirement** – The user identifies a need, specifies the requirement and creates the requisition
  - What are you buying?
  - Who needs it? When is it needed? Where is it to be delivered or service to be performed? How often? Will it need to be renewed? For how long?
  - What approvals are required?
  - Is it available from a local storage area or a warehouse?



# Procurement Cycle

- **Sourcing** – Before a Purchase Order/Contract is issued, the right supplier for this type of purchase needs to be identified
  - Is there a statewide requirements contract for this procurement?
  - If not, is it a small procurement or does it need to be competitively bid?
  - Is a specification or statement of work required?
  - Are there Small Diverse Business solicitation requirements?
  - Are there special delivery or packaging requirements?



# Procurement Cycle

- **Ordering** – Once sourcing has been determined and processed, a purchase order must be created and sent to the supplier
  - Are the details correct, especially those relating to the supplier and delivery details?
  - Are the contractual terms clear and understood?
  - Is everything being delivered at one time or is there a delivery schedule?
  - Are we allowing for partial deliveries?
  - Have we included all delivery instructions such as information on docks, elevators, desktop delivery, removal of existing equipment, etc?



# Procurement Cycle

- **Receiving and Accepting Materials and Services** – This is a key function. No payment should subsequently be made unless the materials/services received match the purchase order details.
  - Do the materials delivered or services performed match with details ordered on the purchase order?
  - Does the quantity received match the quantity allowed on the purchase order? Was a partial quantity shipped?
  - Were overages permitted for this type of item under the contract?



# Procurement Cycle

- **Receiving the Invoice and making Payment** – Payment should be made in a timely manner upon receipt of the invoice
  - Is the invoice from the correct supplier?
  - Was the payment for partial delivery?
- **Post Contract Control** – Large contracts, in particular, need to be managed against the terms agreed with the supplier/contractor
  - Has the supplier/contractor provided the materials/services required in a timely manner and met the terms and conditions of the contract/purchase order?



# Keys to Success

1. Know the Rules and Policies Before you do Anything!
2. Know Your Role and the Role of Others.
  - Who needs the purchase and what do they need?
  - Who can authorize the purchase/expenditure of funds?
  - Who will develop the requirements?
  - Who is the Requisitioner and what information do they need?
  - Who is the Purchaser and what information do they need?
  - Who will receive and verify receipt of the material or service?
  - Who is the Receiver and what information do they need?
  - Who will monitor the supplier's performance/results?
  - Who is the Invoice Reconciler and are they monitoring and resolving invoice discrepancies in a timely manner?



# Keys to Success

## 3. Plan, Plan, Plan

- Involve All Stakeholders: Budget, Finance, Procurement, Others
- Know what is needed, when it is needed, why it is needed, who needs it, where it is to be delivered or service is to be performed and how often it's needed
- Determine whether it is a material, service or construction
- Take the time to write clear and concise specifications
- Think not only about your current needs; think about your future needs. Build in now the flexibility that you need: estimate quantities, renewal options.



# Keys to Success

## 3. Plan, Plan, Plan (cont)

- Determine the source. Is it available from a local storage area or one of the warehouses? Is it on a DGS statewide or Agency contract? Will it need to be bid? If so, at what level?
- What approvals are required?
- Planning is critical to the procurement process. Failure to plan appropriately may result in not getting what is needed, when it is needed, which negatively impacts operations and customer service.
- Pay attention to detail...Purchasing is all about details.



# Keys to Success

## 3. Plan, Plan, Plan (cont)

- **Understand the Need** - This step is perhaps the most critical step in the entire purchasing process. If the purchaser does not clearly understand the purchasing need, then it is very unlikely that the procurement will result in what the organization needs; and it is unlikely the organization will obtain it when needed. The purchaser often must ask the person requesting the material or service a number of questions to better understand or clarify what needs to be purchased. Remember, the person requesting the material or service probably doesn't know purchasing and may make assumptions or overlook a critical piece of information that affects the procurement.



# Keys to Success

## 3. Plan, Plan, Plan (cont)

Some of the questions to ask include:

- What is needed versus what is wanted?
- Is there an available specification?
- Has it been purchased before?
- How much is needed?
- Are quantities estimated?
- When is it needed?
- Is this a one-time need or are there future needs?
- For services, are any travel costs or lodging costs accounted for?
- Is agency providing any materials, equipment, or services to the awarded supplier?



# Keys to Success

## 3. Plan, Plan, Plan (cont)

Some of the questions to ask include: (cont)

- What is the estimated cost of the purchase?
- Are funds available to make the purchase?
- Will federal funds be used to pay for the purchase?
- Are there special delivery instructions?
- For materials, is there a need for any special packaging or labeling?
- Any special requirements, such as off-loading responsibility or a contact person to notify 24 hours in advance?



# Keys to Success

## 4. Monitor, Monitor, Monitor at Every Step!!!

The responsibility of the purchaser does not end with the execution of the award. Managing the purchase continues after the award, as well as before the award.

- Tracking expiration dates is important to permit adequate time to plan for new purchases
- Renewing the purchase may include adjustments to price, estimated quantities, or both



# Keys to Success

## 4. Monitor, Monitor, Monitor at Every Step!!! (cont)

- Assignment of a contract or purchase order from one supplier to another
  - Common reasons for an assignment are a change in the Federal ID, company ownership changes, or a sole-proprietorship incorporates
- Issuing an amendment against an executed contract or purchase order if the modification is within the original scope



# Summary

Now that you have completed this course, you will be able to:

- Describe the requirements for using COPA resources prior to procuring from outside suppliers
- Recognize the procurement thresholds and methods used for procuring materials, services and construction
- Follow the procurement cycle and what's involved in the process
- Interpret procurement terms



# Summary

- Provided on the following slides is some reference material and a Glossary of Terms
- We will follow that with a few Knowledge Check questions
- Finally, we will close with a short survey to get your feedback of the course
- We hope the course was helpful and that you enjoyed it.
  - Please check LSO for additional Procurement Training opportunities



# Reference Material

- For additional information on procurement courses, visit the DGS, Bureau of Procurement, Training Division website at [www.dgs.pa.gov](http://www.dgs.pa.gov); select Businesses, Materials & Services Procurement; Procurement Resources
- To self-enroll in Instructor-led course go to LSO; My Training; Course Catalog; Enterprise Business Processes DGS;
  - **SRM 7.0 Training**
    - Detailed Requisitioning/Receiving; Detailed Purchase Orders; Detailed Solicitations and Contracts
  - **Procurement Policy and Process Courses**
    - DGS Procurement Policy & Process (CS) – DGS Only
    - DGS Procurement Policy & Process (PA)



# Reference Material

- To self-enroll in Web-Based course go to LSO; My Training; Course Catalog; Enterprise Business Processes DGS; Web-Based Training
  - **Web-based Training**
    - Bid Specifications; Bureau of Supplies and Surplus Operations; Contractor Responsibility Program; Cooperative Purchasing; CRPS for User; CRPS for PI Creator/PI Approver; Contract Admin-Monitoring; Evaluating RFP Responses; Negotiations; Orientation for Procurement Handbook; Protests; Providing Exceptional Customer Service; Purchasing (P-Card) Card; Records Management for Purchaser; SAP Records Management; Request for Proposal Policy; SRM Overview; SRM Sourcing Fundamentals (online); Statement of Work; Supplies Manufactured/Services Performed by Persons with Disabilities (UniqueSource); Time Management-Getting Organized at Work



# Glossary of Terms

**Amendment:** A written alteration in specifications, delivery point, rate of delivery, period of performance, price, quantity, or other provisions of any contract.

**Assignment:** The transfer or taking over by another of a contract or any part of a contract or any contractual right or duty.

**Best Value:** The process of selecting the offeror which provides the greatest value to the Agency based on evaluating and comparing all pertinent factors, including price, so that the overall combination that best meets the Agency's needs is selected. Factors to consider include, but are not limited to: product performance, maintenance costs, life cycle costs, trade in value, warranty, quality, durability, past contractor performance, training, discounts, support and service, suitability for a particular purpose, and environmental considerations.

**Bid:** A firm and unconditional offer in response to an invitation for bids.



# Glossary of Terms

**Contract:** A type of written agreement, regardless of what it may be called, for the procurement of materials, services, or construction and executed by all parties in accordance with the Commonwealth Attorney's Act of October 15, 1980. A contract is a binding agreement.

**Contract Compliance:** A program designed to ensure that Commonwealth contracting is nondiscriminating in intent and effect.

**Contracting Officer:** A person authorized to enter into or administer contracts and make written determination with respect to contracts.

**Emergency:** Existence of a threat to public health, welfare, or safety or circumstances outside the control of an agency creating an urgency of need which does not permit the delay involved in using formal, competitive methods.



# Glossary of Terms

**Life Cycle Cost:** The total cost of the material in terms of purchase cost, installation cost, maintenance cost, energy cost, material cost, other costs.

**Purchase Order:** Written authorization for a contractor to proceed to furnish a material, service, or construction in accordance with the standard terms and conditions.

**Sealed Bid:** A bid whose contents are not disclosed until the bid opening time. Bids are typically submitted in sealed envelopes to meet this requirement, but electronic submission is not prohibited so long as the purchasing agency has the electronic capability to maintain the confidentiality of the bid until the bid opening time.

**Specifications:** The description of the physical or functional characteristics or the nature of a material, service, or construction item. It may include a description of any requirement for inspecting, testing, or preparing a material, service or construction item for delivery.



# Glossary of Terms

**Total Cost of Ownership:** A measure of all of the cost components associated with the procurement of a material or service. The sum of all fixed and variable costs attributed to a material or service. A philosophy for understanding all supply chain related costs of doing business with a particular supplier for a particular material or service.

**Value Analysis:** Examination of each procurement item to ascertain its total cost of acquisition, maintenance, and usage over its useful life and, wherever feasible, to replace it with a more cost effective substitute.

**Work Statement:** A detailed description of services to be performed by a contractor.



# Knowledge Check



# Knowledge Check

1. If purchasing a service, the purchaser must determine if the service is available from another Commonwealth agency before procuring from an outside vendor.

True

False



# Knowledge Check

2. For Materials and Services less than \$10,000, when no contract exists, which method of procurement should the purchaser follow?
- a. No bid/No Document/Agency
  - b. Formal Method/Agency
  - c. Formal Method/DGS



# Knowledge Check

3. No payment should subsequently be made unless the materials/services received match the purchase order details.

True

False



# Knowledge Check

4. The responsibility of the purchaser ends with the execution of the award.

True

False



# Survey

Select the link below to complete an online survey

<https://www.zoomerang.com/Survey/WEB22FHT9YD7BA>



**You will receive credit for completing this course within 24 hours. Please select the “Log Off” button in the lower right corner to close this course.**

**Thank You!**

