MEMORANDUM


To: Deputy Secretaries for Administration
Procurement Directors
Procurement Policy Council
OGC Transactions Practice Group

cc: Kenneth J. Hess, Deputy Secretary for Procurement
Jennifer Doherty, Chief Procurement Officer
Charles E. Anderson, Chief Counsel

From: Curtis M. Topper
Secretary of General Services

Date: February 12, 2018

The competitive sealed bidding (Invitation for Bids - IFB) method of procurement provides limited discretion in the competitive award of contracts. For example, the use of an IFB does not allow for the consideration of evaluation factors other than price, a best and final offer process, or the negotiation of terms or price with the selected contractor. IFB results often do not reflect the true total cost of the resulting contracts due to the typical need for change orders to resolve any ambiguity or deficiency in the issued specifications, typically at the Commonwealth’s expense. As a result, IFBs are not widely used nor considered a best procurement practice in the private sector.

The competitive sealed proposals (Request for Proposals - RFP) method of procurement gives contractors flexibility in the content of their proposals and allows contractors to propose customized solutions to meet an agency’s need. RFPs allow for the consideration of evaluation factors in addition to price, including product performance, quality, durability, warranty and training, thereby better taking into account a product’s life cycle, total cost of ownership, and return on investment. Additionally, a contractor’s qualifications, personnel, experience, prior performance history with the Commonwealth, and its service, delivery, and financial capability can be evaluated. Consistent with the Department’s strategic procurement objectives and the Governor’s policies to encourage greater participation by small and diverse businesses in Commonwealth contracts, RFPs allow for the consideration of small and diverse business participation and domestic workforce utilization, along with cost, in awarding Commonwealth contracts. Finally, RFPs allow for a best and final offer process and for terms and price negotiations with the selected offeror to ensure a mutually agreed upon scope of work and total contract cost.
It is the Department’s experience that procurements issued through the competitive sealed proposals (RFP) process result in contracts where the Commonwealth receives an overall higher quality of supplies and services at lower total cost and in a manner that is most equitable to all prospective contractors. Therefore, pursuant to Sections 301(a) and 311 of the Commonwealth Procurement Code (62 Pa.C.S. §§301(a), 311), I find and determine as a policy matter that the competitive sealed proposals process is the method for awarding contracts for supplies and services that is generally the most practicable and advantageous to obtain the best value for the Commonwealth, its citizens, and taxpayers. I further confirm that the selection of contractors for particular supplies and services from multiple-award and Invitation to Qualify (ITQ) contracts shall be made on a best value basis to the extent practicable in accordance with Section 517(f) of the Commonwealth Procurement Code (62 Pa.C.S. §517(f)).

Accordingly, effective February 5, 2018, I directed the DGS Bureau of Procurement (BOP) to utilize the competitive sealed proposals (RFP) process to conduct competitive procurements for new contracts for supplies and services over $50,000 unless another procurement method is approved by the Chief Procurement Officer. (See Bureau of Procurement Policy Directive 2018-1 dated February 9, 2019.) Additionally, BOP shall utilize a best value Request for Quotations (RFQ) process to obtain supplies and services over any minimum thresholds established from existing multiple-award and ITQ contracts whenever permitted by the contract terms and conditions.

Effective July 2, 2018, all Agencies will adopt the process of utilizing RFPs and best value RFQs (“RF(x)”) as the default procurement method for purchases over $50,000. According to our analysis, 77% of agency IFB’s issued in 2017 were under $50,000 and would therefore be excluded from this process. Accordingly, approximately 300 IFB’s across all Commonwealth agencies would need to be converted to an RF(x). Part 1, Chapter 6 of the DGS Procurement Handbook and related forms and processes will be revised effective July 2, 2018, to implement this change.