

Implementation Tips for USAID Partners

Sharing Resources and Knowledge Among the Global CSO Community

Compliance 3 | 2018

Definitions

Procurement—The process of acquiring goods, services and/or consultants in support of program activities.

- **Micro-purchases (currently \$3,500, although organizations may establish a lower threshold)** may be made without soliciting competitive quotations if the organization considers the price to be reasonable.
- Procurements **greater than the micro-purchase threshold** (currently \$3,500) **but less than the Simplified Acquisition Threshold** (currently \$150,000) require price or rate quotations to be obtained from an adequate number of qualified sources.
- Procurements **over the Simplified Acquisition Threshold** (currently \$150,000, although organizations may establish a lower threshold) require the organization to perform a cost or price analysis in connection with every procurement (including modifications) and the organization must make independent estimates before receiving bids or proposals prior to the procurement.

Procurement: Solicitation and Selection

Q. How does my organization ensure that its procurement process is transparent, impartial and equitable?

A. Whenever your organization buys goods or services or hires consultants using U.S. Government (USG) funds, it must take steps to ensure that the procurement process is objective and encourages fair and open competition. In addition to being a core principle underlying USG procurement regulations, competition promotes innovation, motivates vendors to perform better, drives costs down and helps curtail fraud and waste. It is, therefore, in your organization's best interest to make the process of soliciting and selecting vendors as transparent, impartial and equitable as possible.

While your organization should establish a procurement policy that works for your staff and country context, this article covers the best practices your organization can employ to achieve open competition. These include:

- preparing a competitive solicitation;
- gathering and logging proposals;
- establishing an evaluation committee;
- reviewing and evaluating proposals;
- documenting your selection; and
- issuing a purchase order or contract.

Preparing a Competitive Solicitation

Once your organization has gone through the necessary pre-procurement steps to determine that an item or service is covered in your approved budget and passes the allowability test, you are ready to solicit proposals or quotations from vendors or consultants. Depending on the estimated cost and the local context, your solicitation can be sent to a targeted group, advertised in the newspaper or posted on your website or elsewhere online. However you distribute a solicitation, make sure all of the information it contains is the same for all potential respondents.

References

[2 CFR 200.317-326](#) outlines the procurement standards that are required to be compliant.

[SAM.gov](#)

System for Award Management is a website housing USG contracting databases, including the Excluded Parties List System—a database of organizations that for one reason or another are not eligible to receive USG funds, even as a supplier.

The best solicitations:

- provide detailed information on exactly what you seek to buy;
- contain clear instructions for vendors on what to include in their proposals or quotations, how to submit them and by when; and
- list evaluation criteria.

The solicitation should begin with complete, concise terms of reference (TOR), also called a statement of work (SOW). It should also establish the essential selection and evaluation criteria, which should be determined at the beginning of the procurement process and not during the evaluation itself. This ensures that the selection is transparent and vendors know how they will be evaluated.

Sample Evaluation Criteria and Analysis

Criteria	Points
Technical Specifications	35
Past Performance/Experience	15
Timetable	10
Price	30
Warranty/Maintenance/Service	10
Total	100

If necessary, the evaluation criteria may be broken down into even smaller units to assist with scoring. For example, you can split the past performance/experience section into smaller sections, such as years of experience and reference checks.

Generally, proposals are evaluated on the basis of cost or value. If you are seeking the lowest cost, proposals that meet the minimum specifications listed in the solicitation are reviewed, and the one with the lowest price is selected.

If you are seeking the best value, proposals are evaluated on set criteria established in the solicitation—e.g., price, past performance, technical elements, timetable, staff qualifications of vendor, creativity or any other criteria your organization deems a priority—and the most advantageous bid is selected.

Questions

If your solicitation indicates that you will answer questions, make sure to distribute the questions and answers the same way you distributed the solicitation, or by sending them to all of the parties that expressed interest in the procurement so that all potential respondents have access to the same information, ensuring the procurement process is fair.

Items to Consider

Segregation of Duties

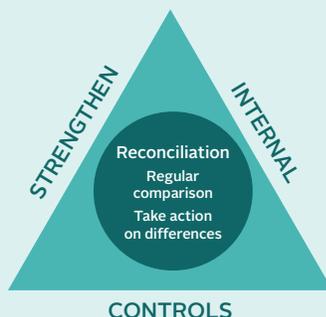
It is important to note that many of the tasks undertaken throughout the procurement process—specifically the approval/authorization of the purchase, the receipt/custody of goods and services and the recording and reconciliation of expenses—should *not* be completed by the same person.

In addition, it is a best practice that the person requesting the quotes/bids, the selection of the vendor (either an individual or selection committee) and the one approving the procurement (purchase order or contract) should *not* be the same person.

By segregating the roles and responsibilities of staff and mandating that multiple people are involved in every financial transaction, an organization strengthens its internal controls and can reduce, prevent and detect fraud and error in a timely manner.

APPROVAL / AUTHORIZATION

Approving transactions
Signature authority



CUSTODY

Physical possession
Physical control

RECORDING

Control of recordkeeping
Control of computer processing

Gathering and Logging Proposals

Upon receiving a proposal or quotation, record the date and time in a log book and provide a receipt to the vendor. Consider all of the proposals confidential, keep them in a secure location and do not share details of a proposal with anyone. There should also be a clear plan, consistently implemented, to address proposals received after the submission deadline.

Establishing an Evaluation Committee

Every organization should have a policy outlining when an evaluation committee is appropriate. For example, an organization can institute a policy where an evaluation committee is used every time a solicitation is issued publicly or every time a solicitation is over a specified value (e.g., \$50,000 or above).

While an evaluation committee needs at least two members, an odd number is best—for example three or five members. The committee should include staff who have experience with procurement or administration and at least one person who is familiar with the technical specifications of the goods or service being sought. If no technical expert is available on staff, you may want to invite someone from outside the organization. All members of an evaluation committee should confirm in advance that they have no real or perceived conflict of interest related to the particular procurement.

Reviewing and Evaluating Proposals

Committee members can review the proposals as a group or individually but should meet together at least once to discuss the procurement and analyze the bids. The first thing to look at is whether each proposal provides all the information requested in the solicitation and meets all the minimum criteria. If not, a bid should be deemed non-responsive and excluded from consideration.

The most important aspect of the review process is ensuring that evaluation is based on the specifications and criteria outlined in the solicitation and that do not change after proposals are received. If you decide to select the vendor with the lowest price, the selection process is relatively simple. If you are basing selection on best value, you must decide the weight of each of the evaluation criteria. An easy way to do this is to create a vendor analysis form that lists each criterion and assigns a point value reflecting its importance. (See sample displayed on the previous page.)

Documenting Your Selection

When you have made the final selection, the committee should fill out an evaluation form to document its recommendation and the justification for the selection. An evaluation form usually includes:

- the bid analysis/assigned scoring of the proposals by the criteria;
- an explanation for why each respondent was given a certain score;

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- a clear statement on the advantages of the chosen respondent, justifying the selection (this may be only a sentence or two);
- documentation that the selected respondent is not an ineligible supplier; and
- the signatures of the evaluation committee members.

Along with supporting documentation to demonstrate that the vendor meets the source/nationality requirements and is not an ineligible supplier, the evaluation form should then go to the Project Director or the person who has the authority to authorize the procurement. This person will review the selection process and authorize the purchase.

Issuing a Purchase Order or Contract

Upon selecting a vendor or consultant and getting approval for the procurement, your organization should issue a written purchase order or contract. The purchase document should contain:

- contact information for the purchaser and the vendor;
- period of performance;
- description of goods or services provided;
- quantities;
- prices (clearly state if tax is included or excluded);
- payment terms, including if it is a fixed-price agreement or time and materials agreement. (Note: An organization may use a time and materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk.)
- delivery terms and address as applicable;
- donor clauses (including specific donor clauses, such as antiterrorism clauses); and
- suspension/termination clauses in the event that the vendor does not deliver the goods or services in accordance with the terms of the agreement.

Review the document with the vendor to ensure that both parties are in full agreement and have a mutual understanding of the content; then have authorized individuals from both parties sign it.

Remember that all subawards require the approval of your AO.

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Payment

When goods are received or services rendered, inspect and/or evaluate them carefully to confirm that they were received on time from the appropriate vendor or consultant, meet the specifications and/or quantities listed in the purchase order/contract and have not been damaged or lost (in the case of goods). This may be documented on a Goods/Services Received Note, which serves as an important source of supporting documentation to the procurement process.

When the payment terms outlined in the purchase order/contract have been satisfactorily met and an invoice submitted, payment should be made. It is always preferable to pay in full after the delivery of goods and services, but some vendors may negotiate incremental payments of fixed amounts upon completion of certain tasks over the course of the period of performance. If incremental payment is agreed upon, it is good practice to specify that a significant amount will be withheld until the all goods and services have been rendered, to protect you and the vendor.

For More Information

For this or other issues of *Implementation Tips*, please visit www.NGOConnect.net. The Web site is a dynamic and interactive portal dedicated to connecting and strengthening CSOs, networks and CSO support organizations worldwide.

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