



Project Procurement Management

Presented by:

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Introduction



Michael G. Judd

Education

- Post Doctoral Diploma in Defense Program Management
- Ph.D. Engineering Management
- Masters of Public Administration
- Bachelors of Science in Criminal Justice

Professional Certifications

- Certified Project Management Professional
- Member of the Army Acquisition Corps
- Certified Project Manager with U.S. Department of Energy

Professional Recognition

- Outstanding Young Men of America-1987
- United Who's Who in Executives & Professionals- 2003-2007

Experience

- Retired from Federal Government after 27 years
- Senior level positions includes:
 - Executive Office of the President (U.S.) – Department of Administration
 - DOE Liaison to the Under Secretary Defense (Environmental Security)
 - DOE Principle Investigator and member of the "Paldiski International Expert Reference Group" PIERG
 - Program Analyst- Air , Space, and Land Combat Systems- U.S. Department of Army
 - Program Manager- DOE Environmental Security Office
 - Vice President (Education and Certification) Project Management Institute's-College of Performance Management
 - Project Manager- National and Environmental Security Systems
 - Project Control Manager- Multiple Major System Acquisition Projects
 - Professor of Program Management – U.S. Department of Defense- Defense Acquisition University
 - Professor of Project Management (Adjunct Faculty) Brigham Young University-Idaho

Outline

- Procurement Terms & Concepts
- Review PMBOK's Procurement Process Groups
- Current Issues in Procurement Management
- Questions and Answers

Procurement Terms and Concepts

Procurement

- The fancy word for "**purchasing**." The procurement department within an organization manages all the major purchases.

Source: www.answer.com

Procurement Plan

- “The document that describes how procurement processes from developing procurement documentation through contract closure will be managed.”

Source: PMBOK 3rd Edition, P. 367

Make-or-Buy Decision

- “A business decision that compares the costs and benefits of manufacturing a product or product component against purchasing it...”

Source: www.answer.com

Contract Administration

- “The process of managing the contract and the relationship between the buyer and seller, managing contract related changes and, when appropriate, managing the contractual relationship with the outside buyer of the project.”

Source: PMBOK 3rd Edition, p.355

Invitation For Bid

- "...Refers to a method of soliciting offers and are used when **negotiations are not anticipated**. Bids are typically read aloud in public at the time and place specified in the solicitation."

Source: U.S. Army Contracting Agency Customer Desk-side Dictionary

Request For Proposal

- "... A type of solicitation that is used typically with large dollar contracts when **negotiations are anticipated**. Offers in response to RFPs can be accepted without negotiations and become legally binding."

Source: U.S. Army Contracting Agency Customer Desk-side Dictionary

The “Contract”

- A **contract** is a mutually **binding agreement** that obligates the seller to provide the specified products or services - obligating the buyer to pay for them.
- Contracts should **clarify responsibilities** and define **key deliverables**.
- Contracts are used because they are **legally binding**, there is more **accountability**!
- There is a **trend** to **outsource** work!

Source: IT Project Management-Schwabe 2006

Contract Types

- Fixed Price (Lump Sum) Contracts:
 - Firm Fixed Price
 - Fixed Price Incentive Fee
- Cost Reimbursement
 - Cost Plus Award Fee (CPAF)
 - Cost Plus Fixed Fee (CPFF)
 - Cost Plus Incentive Fee (CPIF)
 - Cost Plus Percentage of Cost (CPPC)- [Feds don't use]
- Time and Materials

Source: PMBOK 3rd Edition, P. 277&278

Statement of Work (SOW)

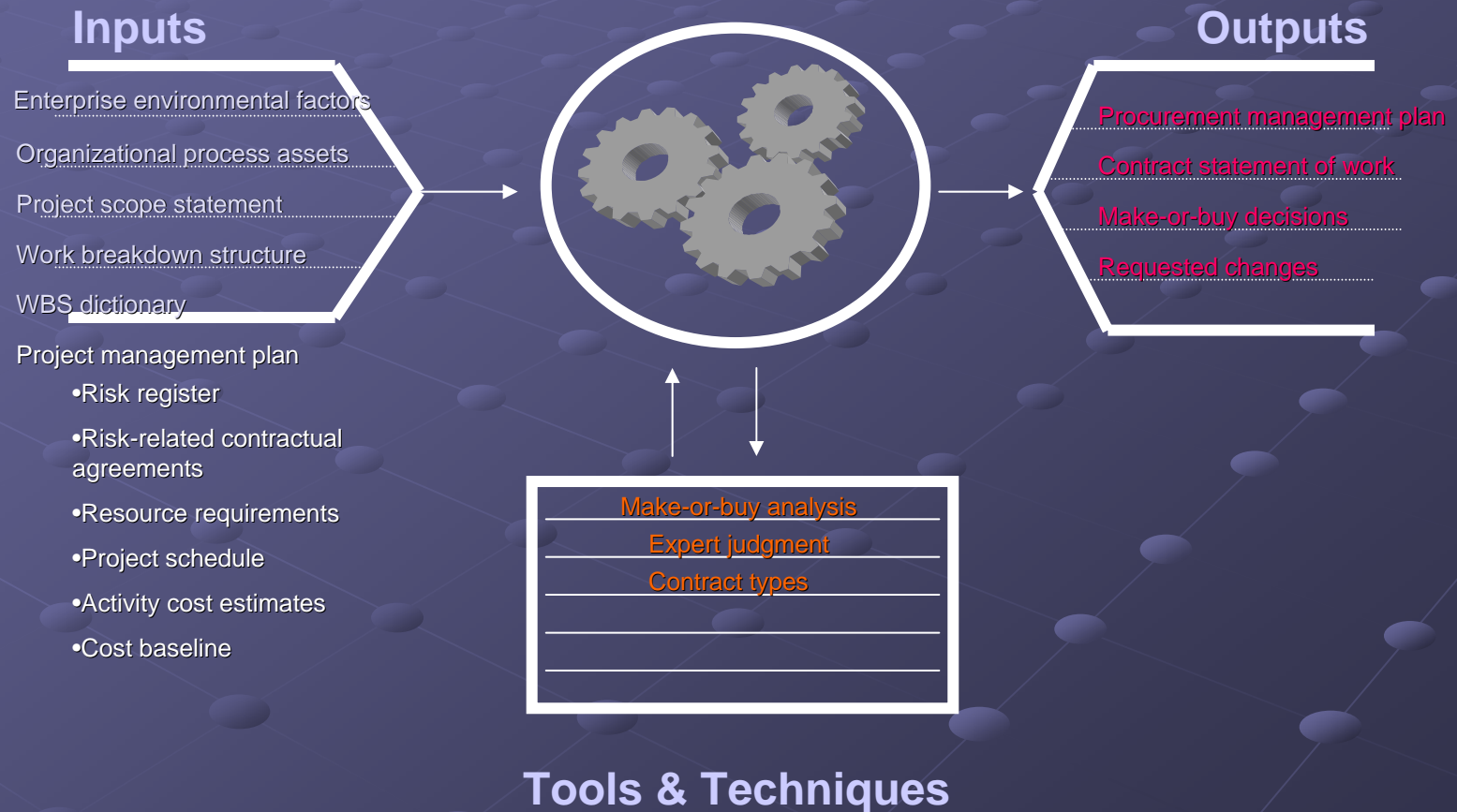
- “A narrative description of products, services, or results to be supplied.”

Source: PMBOK, 3rd Edition, P. 376

PMI's PMBOK: Procurement Process Groups

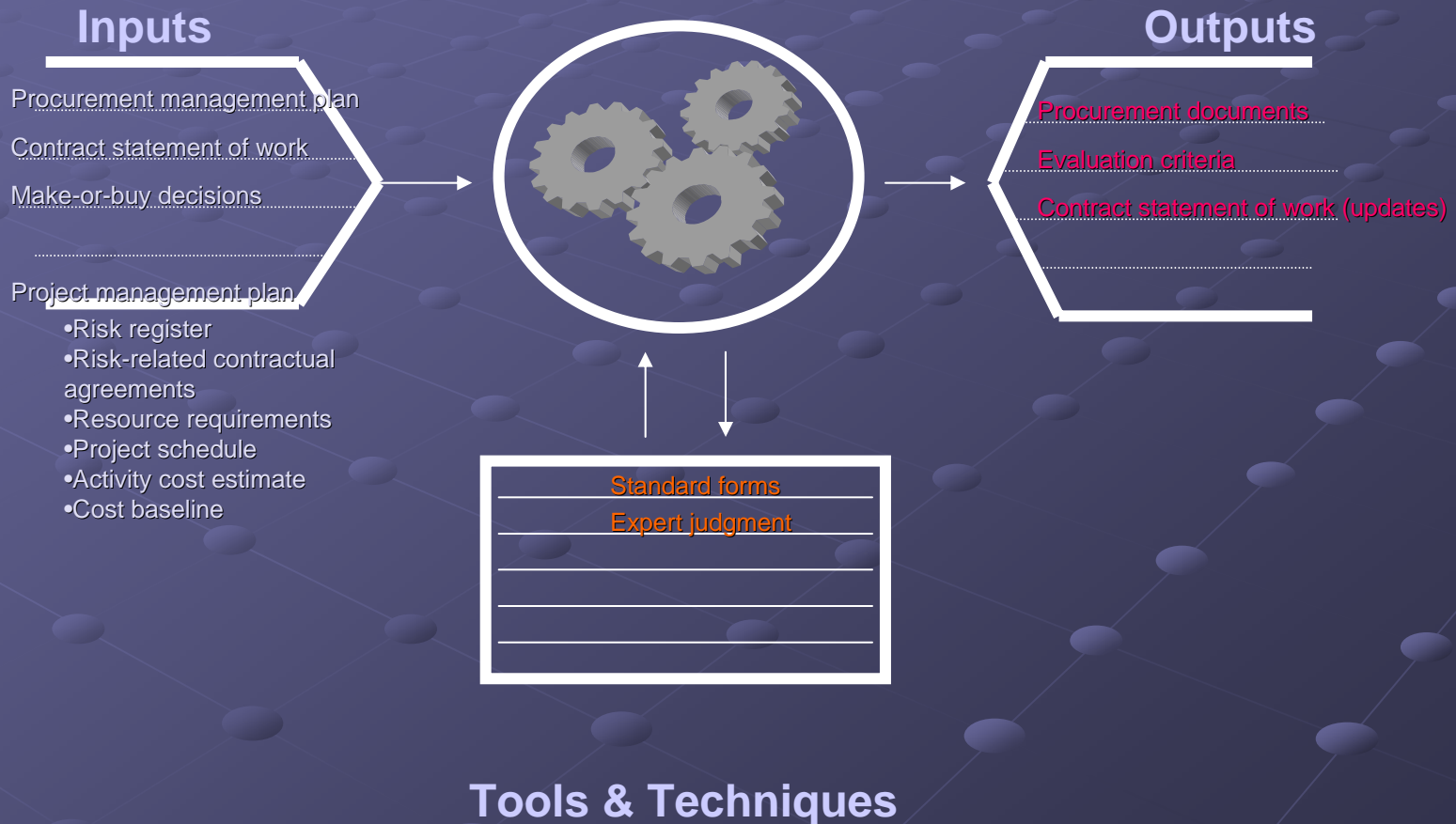
12.1- Plan Purchases And Acquisitions

Process Group:



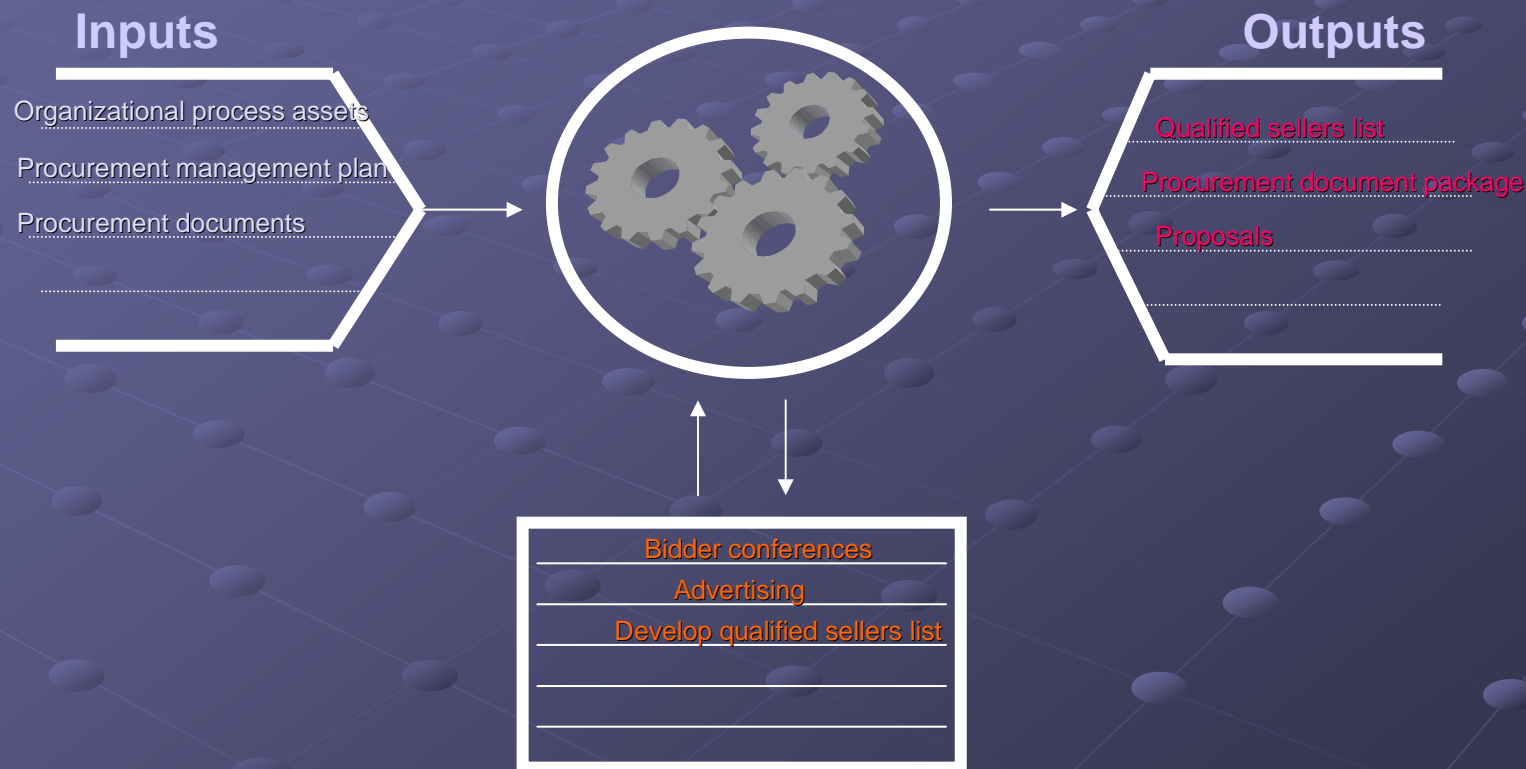
12.2- Plan Contract

Process Group:



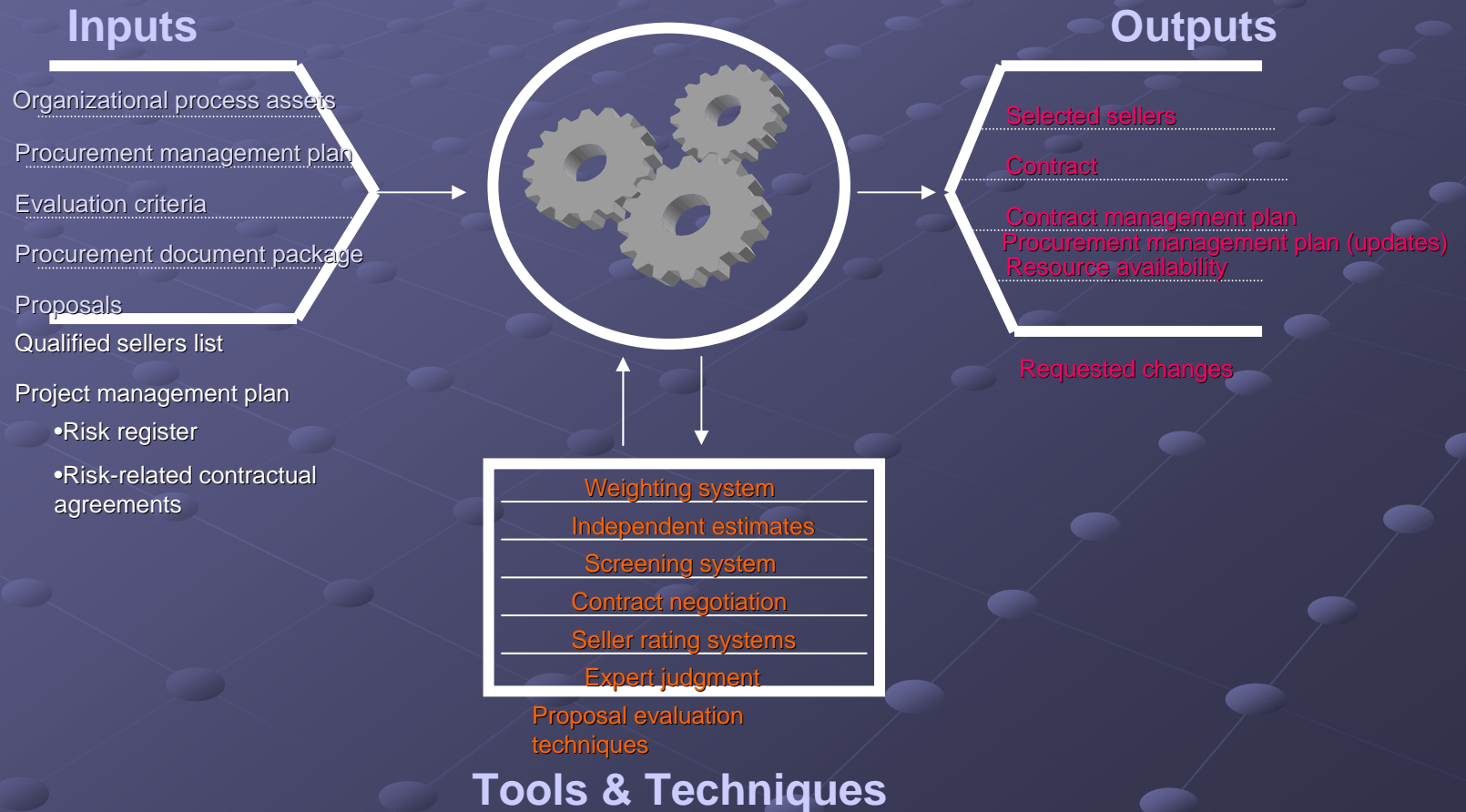
12.3- Request Seller Responses

Process Group:



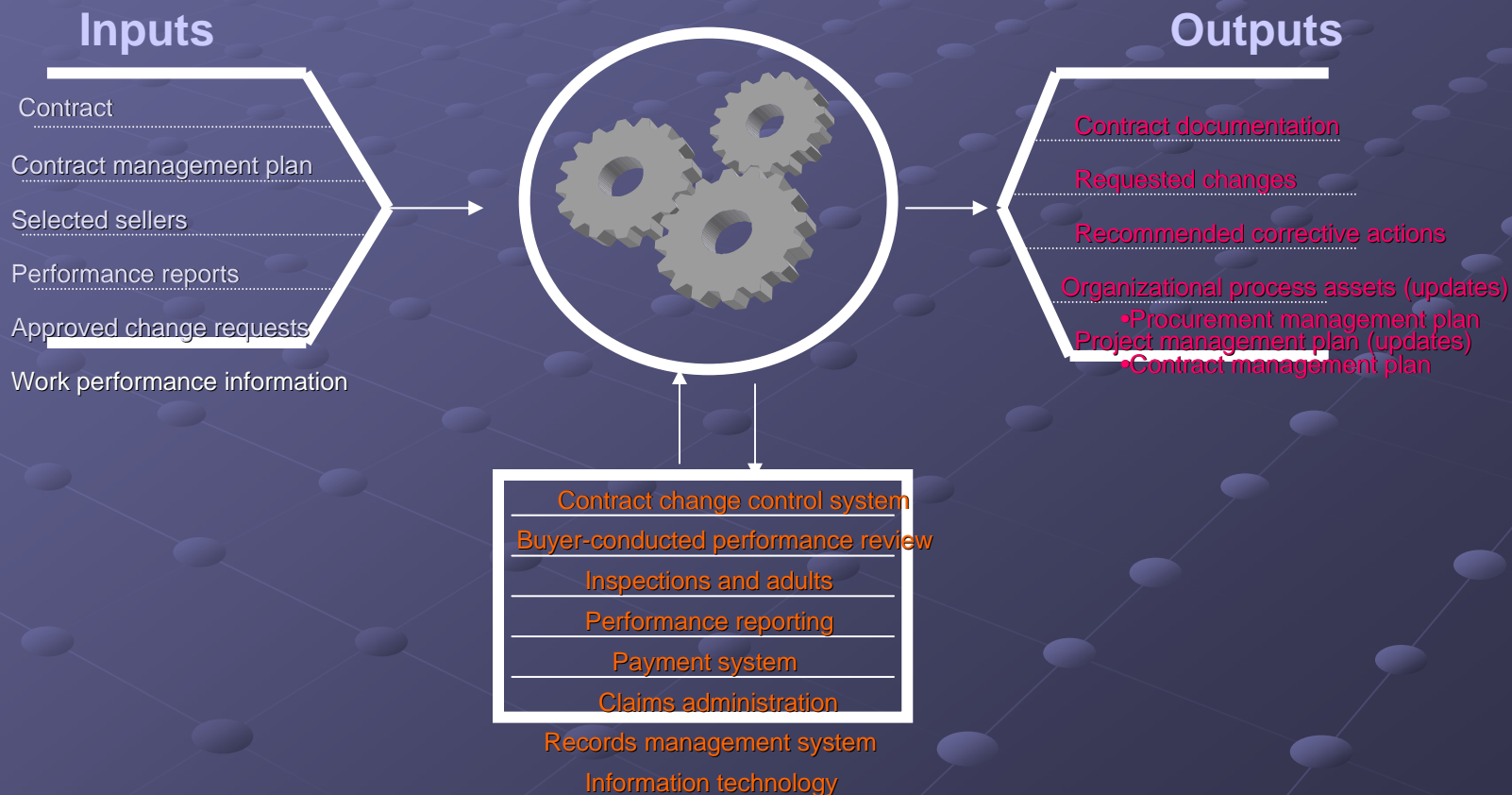
12.4- Select Sellers

Process Group:



12.5- Contract Administration

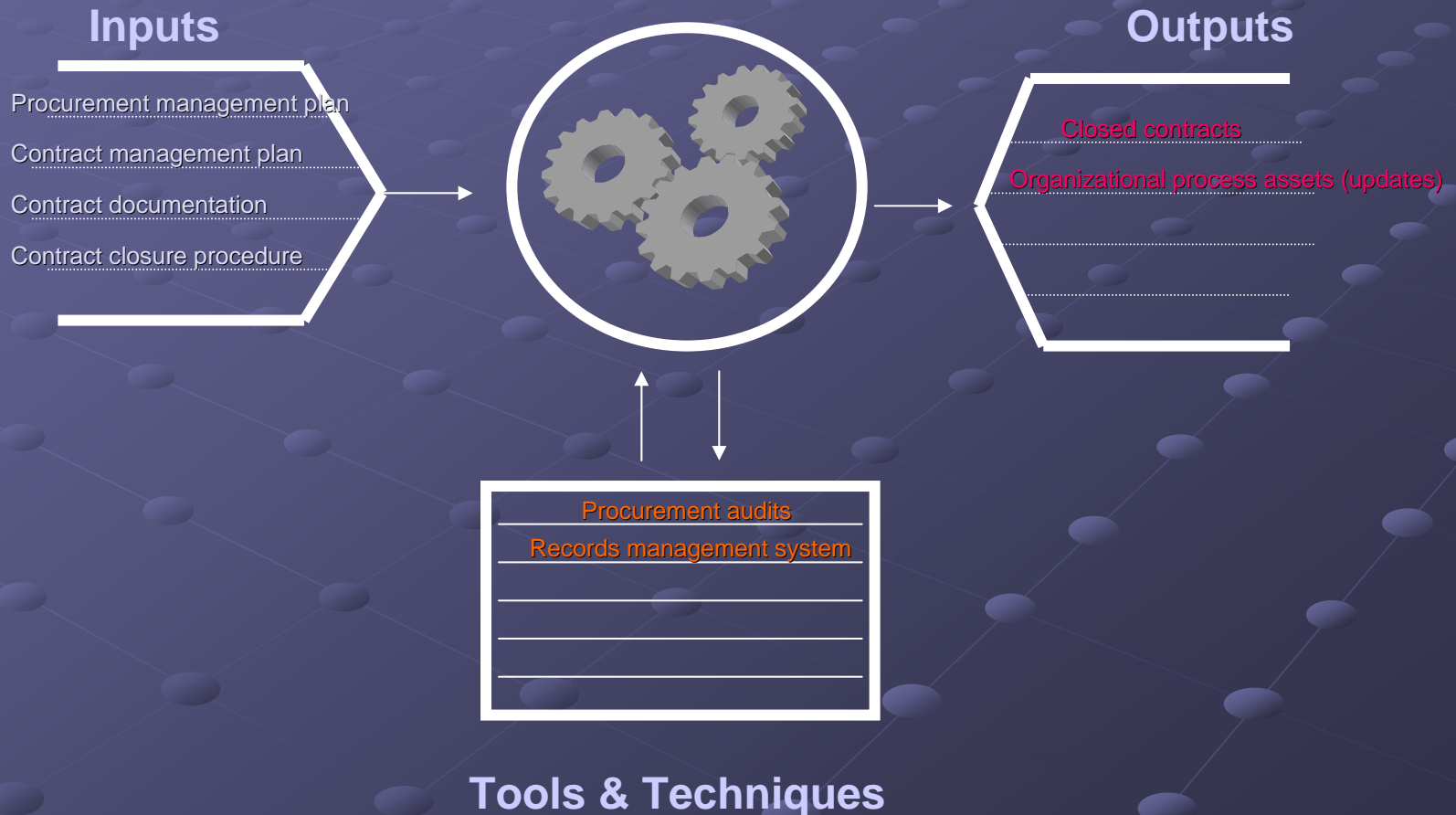
Process Group:



Tools & Techniques

12.6- Contract Closure

Process Group:



Current Issues in Procurement Management



The National Contract Management Association

- NCMA was formed in **1959** to foster the professional growth and educational advancement of its members.
- NCMA is an membership-based, professional society, whose Leadership is composed of **volunteer elected officers**.
- Offers **professional certification** program for contracting professionals
- NCMA is located at 21740 Beaumeade Circle, Suite 125, Ashburn, Virginia 20147.

Source: NCMA Website: www.ncma.org

Iraq contracting problems

- House appropriators on Thursday voiced dismay at the **depth of contracting problems** in Iraq...
- **Billions** of reconstruction dollars **wasted**.
- The Defense Department, spent **\$151 billion** on service contracts in **fiscal 2006**
- Problem Companies- Parsons, DynCorp International, Haliburton (Kellogg, Brown and Root), Bechtel, Aegis Defense Systems, etc.

Source: NCMA Website Article with same title, Washington Post Wednesday, July 6, 2005; Page D01 & GAO Report- GAO-07-832T

Cost Reimbursement Contracting

- Sector: National Laboratory- EG&G, Lockheed-Martin Idaho and Bechtel
- Situation: CPAF's used by DOE with AF ~5% of allocable cost based on performance against award fee criteria- C.O. sole decision-maker (theoretically).
- Observations:
 1. Work scope poorly defined in contract.
 2. 95 % of work force remains the same.
 3. Approximately 70% of award fee criteria were broad scope statements with no measurable objectives – yet specific requirements were known in advance by DOE staff. R&D work had virtually NO measurable milestones.
 4. Most commercial companies could not afford to work with a 5% profit margin.
 5. Companies drawn to such contracts probably are motivate by spin-off benefits
- Results: DOE Management compensated for contracting deficiencies awarding maximum fee (despite poor performance assessments) and profiting from technology developed at taxpayer expense.

Source: Personal views of M. Judd at Idaho National Laboratory

Fixed Priced Contracting

- Sector: Residential Building Construction
- Situation: General development contractors prefer to use fixed price subcontracts to control costs.
- Observations:
 1. There are **many variables** that subcontractors **can't anticipate** (late material, weather, labor force, poor coordination, etc.).
 2. **No enforceable knowledge and skill level metrics** have been established for some trades.
 3. **Understaffing**, no **credentialing of inspectors**, **general corruption** of the inspection process
 4. Motivation is to make **quick profits** then move to new area.
 5. **Small subcontractors** lack the **sophistication or resources** to protect themselves against unscrupulous General Contractors.
 6. Serious lack of **knowledge based & ethical licensing** requirements of General Contractors.
- Results: Many general contractors focus on wind-fall profits resulting in highly inflated residential property with poor workmanship and many failed subcontractor businesses

Source: Personal views of M. Judd at Trademark Woodworks, LLC, Bozeman, MT

Questions & Answers