

Public Procurement Practice

DEVELOPING A PROCUREMENT POLICY MANUAL



PRINCIPLES AND
PRACTICES OF
PUBLIC PROCUREMENT

STANDARD

Procurement organizations should develop a comprehensive policy manual that clearly defines authority, responsibility, and establishes guidelines for the organization and the procurement professional to follow when carrying out their responsibilities.

Definition

A **policy** is a governing set of principles which establish the general parameters for an organization to follow in carrying out its responsibilities.¹

Element 1.1: Purpose of a Procurement Policy²

The overall purpose of a procurement policy manual should be to:

- Establish the legal authority³ of the procurement function within the organization
- Simplify, clarify, and reflect the laws governing procurement
- Enable uniform procurement policies throughout the organization
- Build public confidence in public procurement
- Ensure the fair and equitable treatment of everyone who deals with the procurement system
- Provide for increased efficiency, economy, and flexibility in public procurement activities and maximize to the fullest extent the purchasing power of the entity
- Foster effective broad-based competition from all segments of the supplier community
- Safeguard the integrity of the procurement system and protect against corruption, waste, fraud, and abuse
- Ensure appropriate public access to contracting information
- Foster equal employment opportunities that are in line with legal requirements, in the policies and practices of suppliers and subcontractors wishing to do business with the entity

Element 1.2: Definitions

Many terms and titles that are used in public procurement vary. Therefore, a procurement policy manual should include a definition section that:

- clearly defines the use of the terms as they are used in the policy
- clearly defines criteria for any procurement decision that may be unclear without further explanation (e.g. description of a responsive and responsible bidder)



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POLICY MANUAL *(cont.)*

Element 1.3: Basic Organizational Concepts⁴

A procurement policy manual should, at a minimum, establish guidance for the procurement organization and any delegated purchasing authority that includes:

1. Authorities, roles, and responsibilities of the central procurement office
2. Establishment of the Chief Procurement Officer, or other lead procurement professional, as the procurement authority for the organization⁵ that includes guidelines for:
 - Appointment and qualifications of the Chief Procurement Officer
 - Tenure, removal, and compensation of the Chief Procurement Officer
 - Authorities, roles, and responsibilities of the Chief Procurement Officer
3. Authorities, roles, and responsibilities of the delegated purchasing authority⁶ (if any)
 - Appointment, qualifications, and training of personnel
 - Authorities, roles and responsibilities of personnel
 - Reporting and oversight requirements

Element 1.4 Source Selection and Contract Formation

A procurement policy manual should, at a minimum, establish guidance for source selection and contract formation that at a minimum includes the following contracting methods:

- Competitive Sealed Bidding
- Competitive Sealed Proposals⁷
- Small Purchase Procedures
- Sole-Source Procurement
- Emergency Procurement
- Competitive Selection Procedures for designated types of services

Element 1.5: Specifications

A procurement policy should provide guidance in regards to specifications including:

- Development of specifications to ensure maximum competition
- Monitoring of specifications to ensure that they are not restrictive
- Use of appropriate types of specifications (e.g. design, performance, brand name or equal, etc.)

Element 1.6: Ethics and Code of Conduct

A procurement policy manual should provide guidance in regards to ethics and code of conduct for everyone involved in the procurement process, as well as remedies for violation of the policy. This guidance should include:

- Conflicts of interest
- Gratuities and kickbacks
- Contingent fees
- Misuse of confidential information
- Process for disciplining agency employees who violate the procurement policies or code of ethics
- Process for debarring and/or suspending vendors under specific circumstances
- Process for handling protests, appeals, disputes, claims, hearings, and contractual remedies

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Element 1.7: Personnel and Professional Development

A procurement policy manual should outline:

- Technical and professional qualifications for management and professional staff
- Orientation and training requirements for new employees, and those that will be involved in the procurement process
- Certification and educational requirements of professional staff

Element 1.8: Special Programs⁸

A procurement policy manual should provide guidance for the use of special public procurement programs, including, but not limited to:

- Minority- and women-owned business (as permitted by agency or law)
- Local or disadvantaged business enterprises
- Sustainable procurement program
- Joint or cooperative procurement
- Surplus disposition
- Materiel management
- Low value spend (e.g. purchasing card program)

Background

Procurement is a complex function guided by numerous policies and statutes. A comprehensive procurement policy manual - one that lays out these policies and applicable laws is critical to ensuring that procurement, agency staff, and all stakeholders follow the proper procedures and rules so all will have a clear and consistent understanding of the required regulations. In the absence of such guidance, a lack of consistency in how procurement work is carried out becomes likely. This inconsistency results in frustration within and outside the procurement organization, and the possibility that procurement actions may appear to be arbitrary and unfair. It is therefore critical for procurement to have a comprehensive procurement policy manual in place.⁹

¹ National Institute of Governmental Procurement, Inc.. (2011). Public procurement dictionary of terms. Herndon, VA: NIGP.

² Adapted from PPB. (2011). Rules: New York City Public Procurement Policy Board. Retrieved from <http://www.nyc.gov/html/mocs/ppb/html/rules/rules.shtm>

³ The right to perform certain acts or prescribe rules governing the conduct of others. (Nash, Rawicz, 1997) (NIGP, 2010).

⁴ Adapted from American Bar Association (ABA). (2002). Model Procurement Code. §3-203 Competitive Sealed Proposals. Washington, D.C.: ABA

⁵ Chief Procurement Officer is a common term used for the "lead procurement professional". Regardless of the title used, it should be defined in the Definitions section of your procurement policy manual (See Element 1.2).

⁶ The conferring of authority by someone who has it, to another person, in order to accomplish a task. (NIGP, 2010).

⁷ The competitive sealed proposal method (similar to competitive negotiation) is available for use when competitive sealed bidding is either not practicable or not advantageous (ABA. (2002). Model Procurement Code. §3-203 Competitive Sealed Proposals. Washington, D.C.: ABA).

⁸ Policy for Special Programs may vary by your geographic region and any applicable laws and regulations in regards to same.

⁹ U.S. Government Accountability Office (GAO). (2007). District of Columbia: Procurement system needs major reform. *Journal of Public Procurement*, 7. Retrieved from www.nigp.org