



PROCUREMENT MANAGEMENT PLAN TEMPLATE

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**PROCUREMENT MANAGEMENT PLAN
<PROJECT NAME>**

**COMPANY NAME
STREET ADDRESS
CITY, STATE ZIP CODE**

DATE

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INTRODUCTION

The purpose of the Procurement Management Plan is to define the procurement requirements for the project and how it will be managed from developing procurement documentation through contract closure. The Procurement Management Plan defines the following:

- Items to be procured with justification statements and timelines
- Type of contract to be used
- Contract approval process
- Decision criteria
- Establishing contract deliverables and deadlines
- Vendor Management
- Performance metrics for procurement activities

This Procurement Management Plan sets the procurement framework for this project. It will serve as a guide for managing procurement throughout the life of the project and will be updated as acquisition needs change. This plan identifies and defines the items to be procured, the types of contracts to be used in support of this project, the contract approval process, and decision criteria. The importance of coordinating procurement activities, establishing firm contract deliverables, and metrics in measuring procurement activities is included.

PROCUREMENT MANAGEMENT APPROACH

The Procurement Management Plan should be defined enough to clearly identify the necessary steps and responsibilities for procurement from the beginning to the end of a project. The project manager must ensure that the plan facilitates the successful completion of the project and does not become an overwhelming task in itself to manage. The project manager will work with the project team, contracts/purchasing department, and other key players to manage the procurement activities.

The Project Manager will provide oversight and management for all procurement activities under this project. The Project Manager will work with the project team to identify all items to be procured for the successful completion of the project. The Project Management Office (PMO) will then review the procurement list prior to submitting it to the contracts and purchasing department. The contracts and purchasing department will review the procurement items, determine whether it is advantageous to make or buy the items, and begin the vendor selection, purchasing and the contracting process.

PROCUREMENT DEFINITION

The purpose of procurement definition is to describe, in specific terms, what items will be procured and under what conditions. Sometimes items which must be procured for a project can be made internally by an organization. Additionally, procurement deadlines are usually affected by the project schedule and are needed by certain times to ensure timely project completion. This section is where these items must be listed, justified, and the conditions must be set. Any important technical information should also be included. Individuals may also be listed with authority to approve purchases in addition to or in the absence of the project manager.

The following procurement items and/or services have been determined to be essential for project completion and success. The following list of items/services, justification, and timeline are pending PMO review for submission to the contracts and purchasing department:

Item/Service	Justification	Needed By
Item A; 3" x ¾" tool	Needed for manufacturing widget type 1; we do not make this item	31 July 2009
Item B; 4" x ½" tool	Needed for building tool type 2; we make this item but do not know the cost comparison vs. purchasing it	15 August 2009
Item C	Needed for transferring data to new operating system; we do not make this item	1 September 2009

In addition to the above list of procurement items, the following individuals are authorized to approve purchases for the project team:

<u>Name</u>	<u>Role</u>
John Smith	Project Manager
Jane Doe	Lead Engineer
Bob Jones	Design Technician

TYPE OF CONTRACT TO BE USED

The purpose of this section is to describe the type of contract to be used so the contracts and purchasing department can proceed accordingly. There are many different types of contracts like firm-fixed price, time and materials (T&M), cost-reimbursable, and others. Different procurement items may also require different contract types. A well defined product may be a firm-fixed price while a product which will require a research and development effort may be a T&M contract.

All items and services to be procured for this project will be solicited under firm-fixed price contracts. The project team will work with the contracts and purchasing department to define the item types, quantities, services and required delivery dates. The contracts and purchasing department will then solicit bids from various vendors in order to procure the items within the required time frame and at a reasonable cost under the firm fixed price contract once the vendor is selected.

CONTRACT APPROVAL PROCESS

The purpose of this section is to define the process through which contracts must be approved. This process may vary greatly from company to company but it is important to define the process within your organization and who is involved in the decision-making. Typically large purchases follow an established bidding process and follow a formal selection and approval process. Smaller purchases can be less formal and can be approved by the Project or Program Manager. This section should clearly identify the rules for all procurements within your organization.

The first step in the contract approval process is to determine what items or services will require procurement from outside vendors. This will be determined by conducting a cost analysis on products or services which can be provided internally and compared with purchase prices from vendors. Once cost analyses are complete and the list of items and services to be procured externally is finalized, the purchasing and contracts department will send out solicitations to outside vendors. Once solicitations are complete and proposals have been received by all vendors the approval process begins. The first step of this process is to conduct a review of all vendor proposals to determine which meet the criteria established by the project team and the purchasing and contracts department. Purchases less than \$x,xxx only require the approval of the Project Manager; whereas, purchases greater than \$x,xxx must be approved by the Contract Review Board. For these larger purchase the contract review board will meet to determine which contract will be accepted. The Contract Review Board consists of representatives from the project team, purchasing and contracts department, finance, and the PMO.

DECISION CRITERIA

The purpose of this section is to define the criteria used by the contract review board to decide on what contract(s) to award. Again, these criteria may vary between organizations but must be defined as part of the Procurement Management Plan.

The criteria for the selection and award of procurement contracts under this project will be based on the following decision criteria:

- Ability of the vendor to provide all items by the required delivery date
- Quality
- Cost
- Expected delivery date
- Comparison of outsourced cost versus in-sourcing
- Past performance

These criteria will be measured by the contracts review board and/or the Project Manager. The ultimate decision will be made based on these criteria as well as available resources.

VENDOR MANAGEMENT

The purpose of this section is to describe the roles and actions the project team and purchasing and contracts department will take to ensure that the selected vendors provide all of the products/services agreed upon and that the appropriate levels of quality are maintained.

The Project Manager is ultimately responsible for managing vendors. In order to ensure the timely delivery and high quality of products from vendors the Project Manager, or his/her designee will meet weekly with the contract and purchasing department and each vendor to discuss the progress for each procured item. The meetings can be in person or by teleconference. The purpose of these meetings will be to review all documented specifications for each product as well as to review the quality test findings. This forum will provide an opportunity to review each item's development or the service provided in order to ensure it complies with the requirements established in the project specifications. It also serves as an opportunity to ask questions or modify contracts or requirements ahead of time in order to prevent delays in

delivery and schedule. The Project Manager will be responsible for scheduling this meeting on a weekly basis until all items are delivered and are determined to be acceptable.

PERFORMANCE METRICS FOR PROCUREMENT ACTIVITIES

This section describes the metrics to be used for procurement activities associated with the project. These metrics may be used to ensure the project stays on schedule regarding procurement activities. They may also be used to compile data on the performance of various vendors in order to assist with future procurement activities’ vendor selection criteria.

While the purchasing and contracts department has their own internal metrics for procurement, the following metrics are established for vendor performance for this project’s procurement activities. Each metric is rated on a 1-3 scale as indicated below:

Vendor	Product Quality	On Time Delivery	Documentation Quality	Development Costs	Development Time	Cost per Unit	Transactional Efficiency
Vendor #1							
Vendor #2							

- 1 – Unsatisfactory
- 2 – Acceptable
- 3 - Exceptional

In addition to rating each vendor, actual values will be noted in order to build a past-performance data base for selecting vendors for future procurement activities.

SPONSOR ACCEPTANCE

Approved by the Project Sponsor:

Date: _____

<Project Sponsor>

<Project Sponsor Title>

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