

# Public Purchasing Fact Sheet

## Did you know...?

Federal, State and Local governments follow similar procurement standards. They tend to follow the standards of the National Institute of Government Purchasing (NIGP) as long as the standards are not in conflict with the laws, ordinances and county charters as they may vary by jurisdiction.

**Public Purchasing:** the process of economically obtaining supplies and services for public purpose and use.<sup>1</sup>

**Public Policy:** deemed by courts to be general and well-settled public opinion relating to the duties of persons of government.<sup>2</sup>

Governmental entities tend to consider socio-economic factors when conducting procurements. Socio-economic programs include the utilization of minority-owned/woman-owned businesses, small (including small disadvantaged) businesses, sheltered workshops, veteran-owned, service-disabled. These programs and their requirements vary by jurisdiction.

## Commonly used terminology you should know...<sup>3</sup>

**Invitation for Bid (IFB), Request for Bid (RFB), Invitation to Bid (ITB) and Competitive Sealed Bid (CSB):** all means the same thing. It is a procurement method which the award is made to the “lowest responsive and responsible bidder, or “low bid,” using a formal bid process. The solicitation package may contain information regarding site inspection and/or pre-bid conference.

**Lowest Responsible Bidder:** the bidder that submitted a responsive bid at the lowest price of all the responsive bids submitted and whose past performance, reputation, and financial capability is deemed acceptable.

**Responsive:** a bid that conforms to all of the material requirements stated

**Responsible:** to have the performance capability to fulfill contract requirements

**Formal Bid:** a bid or proposals that must be submitted in a sealed envelope and responses are opened publicly at a specified time.

**Request for Proposal (RFP) or Competitive Sealed Proposal (CSP):** is a procurement method that usually requested when an entity is seeking a solution to a problem and is looking to the contractor for guidance. The solicitation package may contain information regarding site inspection and/or pre-bid conference. In this case, oral presentations/discussions may be requested. The offeror’s technical and price proposal responses are sealed in separate envelopes but are required to be submitted at the respective

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<sup>1</sup> Dictionary of Purchasing Terms copyright 1996

<sup>2</sup> Ibid

<sup>3</sup> All definitions in this Purchasing Fact Sheet were taken from the NIGP Dictionary of Purchasing Terms copyright 1996

due date and time. The contract award will be made based on the contractor's technical response and performance in oral presentations/discussions rather than low bid, "*best value.*" The technical response of an RFP usually requires a detailed response outlining the solution, past performance, qualifications, samples of work, references, licenses etc. Price can be negotiated for the best and final offer (BAFO). Only the offeror's names are announced (read) publicly at the opening, price is not stated.

**Best Value:** an assessment of the return which can be achieved based on the total life cycle cost of the item; can include functionality of the item, can use cost/benefit analysis, to define the best combinations of quality, services, time, and cost considerations over the useful life of the acquired item.

**Best and Final Offer (BAFO):** the final proposal submitted after negotiations are completed that contains the vendor's most favorable terms for price and services or products to be delivered.

**Pre-proposal conference/Pre-bid conference:** a meeting held after advertising but before due date and time to clarify any uncertainty, answer bidder (offeror if it is a proposal) questions and to provide a common understanding regarding the good or service being acquired.

**Site Inspection:** is a visit to the actual location where the contract is to be performed by *potential bidders or offerors* to become familiar with the site conditions.

**Bidder:** one who submits a response to an ITB (also known as IFB, RFB, CSB).

**Offeror:** one who submits a proposal to an RFP in competitive negotiation or who makes an offer in response to a solicitation.

**Unsuccessful Bidder:** a vendor whose bid was not accepted for reasons of price, quantity, or failure to comply with specifications.

**Competitive Negotiation:** a method for acquiring goods, services and construction for public use in which discussion (negotiations) may be conducted with offerors who submit proposals in competitive range.

**Competitive Range:** is determined during the evaluation process, includes only those offerors considered to have a reasonable chance of being selected for award.

**Request for Quotation (RFQ) (Informal Bid):** is an informal solicitation or request for information (RFI) where oral or written quotes are obtained from vendors. RFQ are used only when statutes do not require formal sealed bids. This procurement method which the contract award is made to the lowest responsive and responsible bidder

**Informal bid:** a competitive bid or price quotation for supplies or services that is conveyed by letter, telephone, or other means that does **not** require a sealed bid, public opening, or public reading of the bids.

**Best Interest of the (state, county, city, etc.):** there is no specific law, regulation authority or instruction provides the rationale for the official to use discretion in taking the action deemed to be most advantageous to the jurisdiction.

**Sole Source:** a procurement method where only one vendor possesses the unique and singularly available capability to meet the requirement of the solicitation; a situation where a particular supplier or person is identified as the only qualified source available to the requisitioning authority.

**Proprietary Article:** is an item produced and marketed by a person or persons having the exclusive rights to manufacture and sell it. Sole source procurement would most likely be performed in this case to avoid disclosure of trade secrets and patents.

**Requisitioning Authority:** is a using agency that issues an internal document describing the details of supplies, services or materials required to the purchasing department.

**Piggyback:** is a form of intergovernmental cooperative purchasing in which a large purchaser requests competitive sealed bids, enters into a contract and arranges, as part of the contract, for other public purchasing units to purchase from the selected vendor under the same terms and conditions as itself.

**Cooperative Purchasing:** procurement conducted on behalf of two or more public procurement units; combining the requirements in order to obtain the benefits of volume purchases and/or reduction in administrative expenses.

**Centralized Procurement:** a system of purchasing in which a separate individual or department within an organization has the authority to make some or all of the purchases for that organization.

**Decentralized Procurement:** is an arrangement in which certain purchasing authority or functions are delegated to smaller units of management by a central authority which retains the policy, direction and responsibility.

**ID/IQ Contract:** indefinite delivery/indefinite quantity contract is a contract type used when exact delivery times and/or quantities of goods or services required under the contract are unknown when the contract is awarded, but a reoccurring need is anticipated; usually specifies minimum or maximum amounts that can be ordered within the stated time period. Also known as blanket order, open ended contract, requirements contract, term contracting.

**F.O.B destination:** title of property changes hands from vendor to purchaser at the destination of the shipment; vendor owns goods in transit and files any claims. Payment of freight charges is determined by contract terms.

**Purchase Card (P-Card):** is an alternate procurement and payment method with a specific maximum dollar threshold. These purchases are for small dollar items and services.