

## **AZNIGP Model Cooperative Procurement Program**

### **Master Process Guideline**

The Arizona Capitol Chapter of NIGP recently adopted a new form to help school districts, cities, towns, counties and other municipalities develop a model procurement program for their jurisdiction. The Guideline developed was reviewed by the Cooperative Committee of the Arizona Capitol Chapter of NIGP with the input from a host of public procurement professionals across the State. The intent is that the document be used as a model process guideline and edited as appropriate by the agency.

The document addresses various best practice recommendations for an efficient cooperative procurement program including:

Benefits of Cooperative Purchasing

Strategic Procurement Planning

Sources of Information for Public Agencies

Data Analysis for Public Agencies

Target Contract Format

Types of Contracts

Types of Solicitations

Composing the Solicitation

Minimum Legal Policy Requirements for Lead Public Agencies

Contract Administration

Audit Requirements/Results

For your reference, the guideline is posted at [www.aznigp.org](http://www.aznigp.org)

For more information about the form and its creation, contact the following Executive Board Members of AZNIGP:

Gary Barkman, CPPB, is a Procurement Specialist Supervisor for Mesa Public Schools, AASBO Executive Board Member and may be reached by email at [gabarkman@mpsaz.org](mailto:gabarkman@mpsaz.org).

Bill Munch, CPPB is the Executive Director of Procurement Compliance, Outreach and Education with Valley Schools Management Group and may be reached by email at [bmunch@vsit.org](mailto:bmunch@vsit.org).

Special thanks to the Arizona Capitol Chapter of NIGP for sharing this resource with all NIGP members!

**Final Revision Date: 10/22/14**

## **AZNIGP Model Cooperative Procurement Program**

### **Master Process Guideline**

As public procurement professionals, we recognize the value added benefits of cooperative purchasing and the importance of properly utilizing this sourcing tool to ensure that potential benefits are achieved. This document will establish a strategy for how public procurement units should approach and execute cooperative purchasing within its overall procurement function. This document serves as a template model process that may be utilized by public agencies for determination in taking a lead role in a cooperative procurement.

#### **Benefits of Cooperative Purchasing**

- Improve contract administration and competencies.
- Reduce total acquisition costs through economies of scale.
- Increase capacity of procurement staff and create administrative efficiencies.
- Enhance technical skills and market awareness of staff through multi-agency coordination in hosting and participating in cooperative efforts.
- Encourage professional networking support systems and education for vendors and public agencies including end users, governing bodies and legal staff.

### **Elements of the Program**

- I. Pre-Solicitation
  - A. Strategic Procurement Planning

1. Analyze whether there are contracts already in place that meet the conditions and needs.
  - a. If yes, refer to Exhibit A, Justification for Utilizing a Cooperative Contract Checklist.
  - b. Determine if the commodity or service is beneficial to other public agencies. Identify the target end using public agencies. Potential public agencies to consider:
    - i. Municipalities including Cities, counties and towns
    - ii. School Districts
    - iii. State Agencies
    - iv. Non-profit (if applicable)
    - v. Any other eligible agencies
  - c. Ensure upper management supports decision to be a lead public agency in the procurement.
  - d. Identify if there is a need for a supplemental/re-solicitation procurement.
    - i. A supplemental/re-solicitation procurement is necessary when the currently awarded contract(s) are of an insufficient number or skill set to satisfy the public agency's needs or to ensure adequate competition on any project or task work order.
    - ii. If it is determined that a supplemental/re-solicitation is not in the best interest of the public agency, a new solicitation should be issued.
  - e. Establish timeline to gather information.
    - i. Consider whether time permits the ability to survey.

- ii. Listed public agencies should fully intend to participate in resultant contract to ensure estimated volumes are reasonably achieved by awarded firms.
  - iii. Invite participation from public agencies in development of the procurement including the scope of work.
  - iv. Encourage participation in evaluation committee with consideration of subject matter experts.
- f. When establishing the contract, the language should be reasonable and appropriate to incorporate the needs of the participating public agencies.

#### B. Sources of Information for Public Agencies

1. Historical Data/Usage Reports/Projected Needs
2. Request for Information (RFI in accordance with legal requirements)
3. Requirements survey to prospective participants
4. NIGP Common "Definitions" via the official website
5. Other lead public agencies
6. Other sources that may be applicable
7. Applicable auditing entity

#### C. Data Analysis for Public Agencies

1. Analysis of spend to establish the volume of the contract:
  - a. Last year expenditures
  - b. Average of last 5-year expenditure (if a multi-year contract)
  - c. Identify contract usage by one or more of the following methods:
    - i. Historical data

ii. Survey potential public agencies/Focus Groups

iii. Projected spend

#### D. Target Contract Format

1. Transactional: Purchasing against the lead entity's contract with no ability to modify or amend terms and conditions into the contract.
2. Master Agreement Form of Contract: Eligible participating entities may form their own cooperative contract through a combination of master agreement and their own term and conditions.

#### E. Types of Contracts

1. Multi-Year: A procurement contract that extends for longer than one year. (NIGP Definition)
2. Fixed Price: A contract providing for a firm price, or a price that may be adjusted only in accordance with contract clauses providing for revisions of the contract price under stated circumstances. (NIGP Definition)
3. Cost Reimbursement: A contract that reimburses the contractor for all incurred costs which are allowable and allocable under the terms of the contract and applicable laws and regulations; may include profit or fee. (NIGP Definition)
4. Time & Materials A contract which provides for contractor payment based on a direct labor, hourly rate that includes benefits, payroll taxes, overhead and contractor profit and for the cost of materials and equipment used in performance of the contract. (NIGP definition)
5. Multiple Award: Contracts awarded to more than one supplier for comparable supplies and services. Awards are made for the same generic types of items at various prices. Usually the result of aggregated line item bids of similar product categories. (NIGP definition)

6. Discount-from-List: Mathematical calculation to determine the buyer's price from a manufacturer's price list. On non-automated term contracts the manufacturer must submit a printed price list/catalog from which prices are to be figured. Prices in this category cannot be increased for a specified time after the contract begins, unless otherwise noted in the contract. (NIGP definition)
7. One Time Purchase: One time transactional contract with finite quantities and identified participants.

#### F. Types of Solicitations

1. Competitive Sealed Bids (IFB)
2. Competitive Sealed Proposals (RFP)
3. Request for Qualifications (RFQu)
4. Joint Bid Method

### II. Composing the Solicitation

#### A. Minimum Legal Policy Requirements for Lead Public Agencies

1. Contract language referencing the Legal Cooperative Purchasing Agreement.
2. Procurement administered by a Public Procurement Unit. A Public procurement unit is an external procurement activity (any buying organization not located in the state, which, if located in this state, would qualify as a public procurement unit); state public procurement unit; Federal Government; and any not-for-profit entity comprised of more than one of the above. (*ABA Model Procurement Code*)
3. Vendor Bid List or advertising
4. Term of contract in compliance with legal requirements
5. Up front written determinations

6. Governed by the laws of the State of the participating agency and other statutory requirements
7. Funding Out Clauses allowing the public entity to terminate the contract if funds are not available for subsequent contract periods
8. Any purchases must be in accordance with the ordinance, charter, and/or Procurement rules and regulations of the respective public agency
9. Additional purchasing agency terms and provisions

#### B. Other Best Practice Considerations

1. What insurance requirements are needed
2. Definition of performance measures
3. Development of a participation process instructions for potential using agencies
4. Other considerations and best practices

### III. Contract Administration

#### A. Management of the Contract

1. Following the award of a contract, management actions must be taken to assure full compliance with all of the terms and conditions contained within the contract document, including price.
2. Action steps should be taken that assure that the contractor is in full compliance with the entire contract.
3. Contract administration activities include payment, monitoring of progress, inspection and acceptance, quality assurance, monitoring and surveillance, modifications, negotiations, contract closeout, and other activities.



4. Provided the lead entity properly awards the contract, entities that are specifically named within the solicitation as cooperative members should fully intend to participate in the resultant contract in order to ensure estimated volumes are reasonably achieved by awarded firm(s).

#### B. Audit Requirements/Results

1. NIGP Cooperative Certification Process, if applicable.
2. Due Diligence: The responsibility of a contract user to independently verify that the award of a cooperative's procurement contract conforms to the applicable rules and regulations of the state and that the quotation and purchase order complies with the terms of the award.
3. Transparency promotes accountability and provides information for citizens about what public entities are doing.

**“Exhibit A” – Justification for Utilizing a Cooperative Contract**

**Cooperative or Lead Agency** \_\_\_\_\_

**Contract No.** \_\_\_\_\_

**Vendor(s) Name(s)** \_\_\_\_\_

We have reviewed and completed due diligence on the aforementioned cooperative contract. As part of the due diligence review, we have confirmed that the contract complies substantially with our procurement rules and practices. We have further confirmed that all purchases will comply with the terms and prices in the contract. It has been determined that it is in the best interests of our entity to utilize this contract for the reasons cited below:

<b>Issue</b>	<b>Procurement Consideration</b>
<b>1. Is there a Cooperative Purchase Agreement allowing use of the contract?</b>	
<b>2. Was the procurement done by a Public Procurement Unit?</b>	
<b>3. Do the terms, conditions and scope of work/specifications meet the need?</b>	
<b>4. If no, are the terms, conditions and scope of work/specifications negotiable?</b>	It should be noted here if terms or prices were negotiated.
<b>5. Does the cooperative contract provide the most advantageous solution? Why?</b>	Factors may include advantageous terms, conditions, prices, quality, performance, timing, entity's experience and ability to duplicate the contract, age of the contract, etc.
<b>6. Is the contract in effect and in force for all proposed purchases?</b>	If not, does the contract allow performance of work in progress at the time of expiration?
<b>7. Will any and all purchases comply with the terms and prices in the contract?</b>	
<b>8. Will volume pricing advantages be applied to purchases?</b>	
<b>9. Are there any fees associated with use of the contract? Are they reasonable and justified?</b>	
<b>10. Were local and regional vendors offered the opportunity to compete for the contracts?</b>	Use this area if applicable to the entity's procurement policies, practices or principles.
<b>11. Did the cooperative or lead agency have the expertise, reputation and history of quality contracting for the good or service being procured?</b>	
<b>12. Was past experience with the cooperative or lead agency acceptable?</b>	

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Buyer Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Director of Purchasing Name

**“Exhibit A”- cont. – Justification for Utilizing a Cooperative Contract  
(Alternate Points for Entities/Agencies)**

<b>Issue</b>	<b>Procurement Consideration</b>
<b>1. Is it a unique purchase that is better serviced under another contract?</b>	
<b>2. Is the item urgently needed?</b>	
<b>3. What is the age of the contract? How many years is it into its contract term?</b>	

**The purpose of this document is to help public entities justify the decision to make a cooperative purchase instead of doing their own procurement. The document should be used as a template starting point and should be edited as appropriate by the using entity.**