**Cost Management Plan**

**RAM-IT Itro’s Chatbot and Ticketing System**

**Asia Pacific College**

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**May 19, 2023**

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# Introduction

The Procurement Management Plan establishes the framework for acquiring goods and services in this project. It will serve as a roadmap for managing procurement throughout the project's lifespan and will be revised when acquisition needs change. This plan outlines and explains the items that will be obtained, the types of contracts that will be utilized, the process for approving contracts, and the criteria for making decisions. It emphasizes the significance of coordinating procurement activities, establishing clear contract deliverables, and utilizing metrics to assess procurement activities. Additionally, the plan includes considerations for managing procurement risks and outlines how costs will be determined, how standard procurement documentation will be employed, and the constraints associated with procurement.

# Procurement Management Approach

The Project Manager will be responsible for supervising and controlling all procurement operations in this project. Collaborating with the project team, they will identify the necessary items to be acquired to ensure the project's successful execution. Once the procurement list is compiled, it will be reviewed by the project team and stakeholders before being submitted to the contracts and purchasing department. The department will assess the procurement items, decide whether it is more beneficial to produce or purchase them, and initiate the process of selecting vendors, making purchases, and finalizing contracts.

# Procurement Definition

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 |
| Laptop/Desktop | Needed for writing the documentations of the project and to develop the project; we do not make this item |  |

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

**Name** **Role**

Jayson Aloya Project Manager

Marc Julian Sajul Front-End Developer

Marc Zamora Back-End Developer

John Christopher Langcauon Documentation

Jan Gabriel Prion Documentation

# Type of Contract to be Used

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. This contract will be awarded with one base year and three option years.

# Procurement Risks

All procurement activities carry some potential for risk which must be managed to ensure project success. While all risks will be managed in accordance with the project’s risk management plan, there are specific risks which pertain specifically to procurement which must be considered:

* Unrealistic schedule and cost expectations for vendors
* Manufacturing capacity capabilities of vendors
* Conflicts with current contracts and vendor relationships
* Configuration management for upgrades and improvements of purchased technology
* Potential delays in shipping and impacts on cost and schedule
* Questionable past performance for vendors
* Potential that final product does not meet required specifications

These risks are not all-inclusive and the standard risk management process of identifying, documenting, analyzing, mitigating, and managing risks will be used.

# Procurement Risk Management

As mentioned earlier, the project's risk management plan will be used to handle project risks. However, when it comes to procurement-related risks, extra attention and involvement are required. Procurement activities involve external organizations and can have an impact on existing and future business relationships, as well as internal supply chain and vendor management operations. Due to the importance of these relationships and operations, the project team will ensure the participation of both the project sponsor and a designated representative from the contracting department in all project meetings and status reviews.

Additionally, any decisions regarding procurement actions must be approved by the project client or, in his absence, the Vice President of Contracts before implementation. Any issues concerning procurement actions or any newly identified risks will immediately be communicated to the project’s contracting department point of contact as well as the project sponsor.

# Cost Determination

In order to obtain proposals from different vendors detailing how they will fulfill our requirements and the associated costs; we will issue a Request for Proposal (RFP) for this project. Each proposal must encompass vendor support for items A, B, and C, as outlined in the previous paragraph, along with the base and out-year costs. Vendors will be expected to provide a comprehensive overview of their approach, including the execution of the work, the individuals involved, their relevant experience, customer testimonials, employee backgrounds and resumes, and a detailed breakdown of all costs. Additionally, vendors will be required to submit work breakdown structures (WBSs) and work schedules to demonstrate their understanding of the project's scope and their ability to meet the established timeline.

It is crucial that all the requested information is included in each proposal, as these proposals will serve as the basis for our selection criteria. Proposals that fail to include the requested information or are incomplete will be disregarded and not considered for further evaluation.

# Standardized Procurement Documentation

The procurement management process encompasses various steps and requires ongoing oversight of all procurement activities and contracts. In this dynamic and sensitive environment, our objective is to streamline procurement management through any necessary means to ensure the successful completion of our contracts and project. To simplify these tasks, we will utilize standardized documentation throughout the procurement management process. These standardized documents have been developed and refined over many years with the aim of continuously enhancing procurement efforts. They offer sufficient levels of detail, enabling easier comparison of proposals, more accurate pricing, more detailed responses, and more effective contract and vendor management.

The Project Management Office (PMO) maintains a repository on the company's shared drive, which contains standardized project management and procurement documentation specifically designed for this project. The following standardized documents will be utilized for project procurement activities:

* Standard Request for Proposal Template to include
  + Background
  + Proposal process and timelines
  + Proposal guidelines
  + Proposal formats and media
  + Source selection criteria
  + Pricing forms
  + Statement of work
  + Terms and Conditions
* Internal source selection evaluation forms
* Non-disclosure agreement
* Letter of intent
* Firm fixed price contract
* Procurement audit form
* Procurement performance evaluation form
* Lessons learned form

# Procurement Constraints

The project's procurement management plan encompasses various constraints that must be considered. These constraints will be explicitly stated in the Request for Proposal (RFP) and communicated to all vendors to assess their capability to work within these limitations. The constraints pertain to multiple aspects, including schedule, cost, scope, resources, and technology.

Schedule:

* The project schedule is inflexible, and all procurement activities, contract administration, and contract fulfillment must be carried out within the predetermined project timeline.

Cost:

* The project budget includes contingency and management reserves, but it is important to note that these reserves cannot be utilized for procurement activities. The reserves are specifically designated for approved changes in project scope or at the discretion of the management.

Scope:

* All procurement activities and contract awards must support the approved project scope statement. Any procurement activities or contract awards which specify work which is not in direct support of the project’s scope statement will be considered out of scope and disapproved.

Resources:

* All procurement activities must be carried out and supervised using existing personnel. There will be no hiring or re-allocation of additional personnel to support the procurement activities for this project.

Technology:

# The specifications for parts have already been established and will be outlined in the statement of work within the Request for Proposal (RFP). While proposals may suggest alternative materials or manufacturing processes, the specifications for parts must precisely match those provided in the statement of work.

# Contract Approval Process

The initial phase of the contract approval process involves identifying the items or services that need to be procured from external vendors. This determination is made by conducting a cost analysis, comparing the costs of providing products or services internally versus purchasing them from vendors. Once the cost analyses are completed and the final list of items and services to be procured externally is established, the purchasing and contracts department will proceed to send solicitations to external vendors.

After the solicitations are completed and proposals are received from all vendors, the approval process commences. The first step is to review all vendor proposals to assess their alignment with the criteria set by the project team and the purchasing and contracts department. Purchases below a certain threshold, such as $x,xxx, only require approval from the Project Manager. On the other hand, purchases exceeding that threshold necessitate approval from the Contract Review Board. The Contract Review Board, comprising representatives from the project team, purchasing and contracts department, finance, and the Project Management Office (PMO), convenes to determine which contract will be accepted for these larger purchases.

# Decision Criteria

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 ultimate responsibility for managing vendors lies with the Project Manager. To ensure the timely delivery and high quality of products from vendors, the Project Manager or their designated representative will conduct weekly meetings with the contract and purchasing department as well as each vendor. These meetings can take place in person or via teleconference. The primary purpose of these meetings is to thoroughly review the documented specifications for each product and examine the findings of quality tests.

The objective of these meetings is to assess the progress of each procured item, ensuring its compliance with the project specifications. It also provides an opportunity to address any questions or make necessary modifications to contracts or requirements in advance, thus preventing delivery delays and schedule disruptions. The Project Manager will be responsible for scheduling these weekly meetings until all items are delivered and deemed acceptable.

# Performance Metrics for Procurement Activities

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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