

| Project Procurement Management Terms | |
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| | <i>Directions: Hide this side of the flashcards or fold page in half. Read the term, recite the definition, and then look at this side of the flashcards to check your answer.</i> |
| Alternative dispute resolution | When there is an issue or claim that must be settled before the contract can be closed, the parties involved in the issue or claim will try to reach a settlement through mediation or arbitration. |
| Bid | From seller to buyer. Price is the determining factor in the decision-making process. |
| Bidder conference | A meeting of all the project's potential vendors to clarify the contract statement of work and the details of the contracted work. |
| Claims | These are disagreements between the buyer and the seller, usually centering on a change, who did the change, and even whether a change has occurred. Claims are also called disputes and appeals, and are monitored and controlled through the project in accordance with the contract terms. |
| Contract | A contract is a formal agreement between the buyer and the seller. Contracts can be oral or written—though written is preferred. |

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| Contract change control system | This defines the procedures for how the contract may be changed. The process for changing the contract includes the forms; documented communications; tracking; conditions within the project, business, or marketplace that justify the needed change; dispute resolution procedures; and the procedures for getting the changes approved within the performing organization. |
| Contract statement of work (SOW also CSOW) | This document requires that the seller fully describe the work to be completed and/or the product to be supplied. The SOW becomes part of the contract between the buyer and the seller. |
| Cost plus award fee contract | A contract that pays the vendor all costs for the project, but also includes a buyer-determined award fee for the project work. |
| Cost plus fixed fee contract | A contract that requires the buyer to pay for the cost of the goods and services procured plus a fixed fee for the contracted work. The buyer assumes the risk of a cost overrun. |
| Cost plus incentive fee | A contract type that requires the buyer to pay a cost for the procured work, plus an incentive fee, or a bonus, for the work if terms and conditions are met. |
| Cost plus percentage of costs | A contract that requires the buyer to pay for the costs of the goods and services procured plus a percentage of the costs. The buyer assumes all of the risks for cost overruns. |
| Direct costs | These are costs incurred by the project in order for the project to exist. Examples include the equipment needed to complete the project work, salaries of the project team, and other expenses tied directly to the project's existence. |

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| Fixed-price contracts | Also known as firm fixed-price and lump-sum contracts, these are agreements that define a total price for the product the seller is to provide. |
| Fixed-price incentive fee | A fixed-price contract with opportunities for bonuses for meeting goals on costs, schedule, and other objectives. These contracts usually have a price ceiling for costs and associated bonuses. |
| Fixed-price with economic price adjustments | A fixed-price contract with a special allowance for price increases based on economic reasons such as inflation or the cost of raw materials. |
| Force majeure | An “act of God” that may have a negative impact on the project. Examples include fire, hurricanes, tornadoes, and earthquakes. |
| Independent estimates | These estimates are often referred to as “should cost” estimates. They are created by the performing organization or outside experts to predict what the cost of the procured product should be. |
| Indirect costs | These are costs attributed to the cost of doing business. Examples include utilities, office space, and other overhead costs. |
| Invitation for Bid (IFB) | From buyer to seller. Requests the seller to provide a price for the procured product or service. |
| Letter contract | A letter contract allows the vendor to begin working on the project immediately. It is often used as a stopgap solution. |
| Letter of intent | A letter of intent is not a contract, but a letter stating that the buyer is intending to create a contractual relationship with the seller. |

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| Make-or-buy decision | A process in which the project management team determines the cost-effectiveness, benefits, and feasibility of making a product or buying it from a vendor. |
| Privity | The contractual relationship between the buyer and the seller is often considered confidential and secret. |
| Procurement management plan | A project management subsidiary plan that documents the decisions made in the procurement planning processes. |
| Procurement planning | A process to identify which parts of the project warrant procurement from a vendor by the buyer. |
| Proposal | A document the seller provides to the buyer. The proposal includes more than just a fee for the proposed work. It also includes information on the vendor's skills, the vendor's reputation, and ideas on how the vendor can complete the contracted work for the buyer. |
| Purchase order (PO) | A purchase order is a form of unilateral contract that the buyer provides to the vendor showing that the purchase has been approved by the buyer's organization. |
| Quotation | From seller to buyer. Price is the determining factor in the decision-making process. |
| Request for Proposal (RFP) | From buyer to seller. Requests the seller to provide a proposal to complete the procured work or to provide the procured product. |
| Request for Quote (RFQ) | From buyer to seller. Requests the seller to provide a price for the procured product or service. |

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| Risk-related contractual agreements | When the project management team decides to use transference to respond to a risk, a risk-related contractual agreement is created between the buyer and the seller. |
| Screening system | A tool that filters or screens out vendors that don't qualify for the contract. |
| Seller rating systems | These are used by organizations to rate prior experience with each vendor that they have worked with in the past. The seller rating system can track performance, quality ratings, delivery, and even contract compliance. |
| Terms of Reference | Defines the obligations for the seller, what the seller will provide, and all of the particulars of the contracted work. Terms of reference is similar to the statement of work. |
| Time and materials contract | A contract type in which the buyer pays for the time and materials for the procured work. This is a simple contract, usually for smaller procurement conditions. These contract types require a not-to-exceed clause, or the buyer assumes the risk for cost overruns. |
| Weighting system | This takes out the personal preferences of the decision maker in the organization to ensure that the best seller is awarded the contract. Weights are assigned to the values of the proposals, and each proposal is scored. |