

PMP® V5 RDS

Project Procurement Management

Overview

- It includes the processes to **purchase or acquire** products, services, or results needed from **outside the project team**. The organization can be either the buyer or seller of the products, services, or results of a project.
- It includes the **contract management and change control processes** required to develop and administer contracts or purchase orders issued by authorized project team members.
- It includes controlling any contract issued by an outside organization (the buyer) that is acquiring deliverables from the project from the performing organization (the seller), and administering contractual obligations placed on the project team by the contract.

Procurement Management Processes

- **12.1 Plan Procurement Management** — The process of documenting project procurement decisions, specifying the approach, and identifying potential sellers.
- **12.2 Conduct Procurements** — The process of obtaining seller responses, selecting a seller, and awarding a contract.
- **12.3 Control Procurements** — The process of managing procurement relationships, monitoring contract performance, and making changes and corrections as appropriate.
- **12.4 Close Procurements** — The process of completing each project procurement.

Related Concepts

- Private companies have a lot of flexibility in their procurement practices.
- Government entities are spending public funds, they have to comply with laws, rules, and regulations that specifically govern each step of the procurement process.
- Procurement Department are also called: Purchasing Department, Contracting Department, Legal Department
- PMI uses the term “seller”. Other terms:
 - Contractor
 - Subcontractor
 - Designer
 - Vendor
 - Supplier
- The buyer is the person or company which issues the purchase order.

Exam Notes

- Contracts require formality and legally binding
- All product and project management requirements for the procurement work should be stated in the contract
- Changing a contract requires a formal change order, and must be approved by both parties
- Changes must be submitted and approved in writing
- Contracts should help diminish project risk
 - E.g. outsourcing; terms and conditions
- Most governments back all contracts that fall within their jurisdiction by providing a court system for dispute resolution
- Remarks:
 - PMBOK v4 uses the term “contract”; PMBOK v5 uses the terms “agreement”
 - Practice may be different in Hong Kong

Project Manager's Role

- Know the procurement process
- Understand what contract **terms and conditions** mean
- Make sure the contract contains all the scope of work and all the project management requirements
 - Such as attendance at meetings, reports, action, and communications
- Identify risks, and incorporate **mitigation** and allocation of risks into the contract to decrease project risk
- Helps tailoring the contract to the unique needs of the project

Project Manager's Role

- May be involved during contract negotiations
- Make sure the procurement process goes smoothly
- Make sure all the work in the contract is done
- Do not ask for something that is not in the contract without making a corresponding change to the contract
- Work with the procurement manager to manage changes to the contract
- Project manager must be assigned before a contract is signed

Centralized and Decentralized Contracting

■ Centralized

- Functional environment
- Procurement manager is involved with many projects at the same time and report to the head of the procurement department
- Procurement processes and contract language will be **standardized** between projects

■ Decentralized

- Projectized environment
- Procurement manager is hired to work for the PM
- More accessible to the PM, will be more loyal and will understand the project better

Inputs

- Procurement manager assigned
- Scope baseline
- Schedule baseline
- Cost baseline
- Risk register
- Procurements already in place on the project
- Identification of resources not available
- Initial cost estimates for work to be procured

Processes

- The procurement management processes are complicated; each process includes lots of activities
- Identify the process boundary:
 - Plan procurement management and Conduct procurements
 - The buyer has contacted sellers.
 - Conduct procurements and Control procurements
 - Order is awarded.

Plan Procurement Management

(planning)

Plan Procurement Management

- The process of documenting project procurement decisions, specifying the approach, and identifying potential sellers
- The key benefit of this process is that it determines whether to acquire outside support, and if so, what to acquire, how to acquire it, how much is needed, and when to acquire it

Activities

- What goods and services do we need to buy for this project, how will we purchase them, and who are the potential sellers to use?
- Activities
 - Performing a make-or-buy analysis
 - Creating a procurement management plan
 - Creating a procurement statement of work
 - Selecting a contract type
 - Creating the procurement documents
 - Determining the source selection criteria

Make-or-Buy Analysis

Plan Procurement Management: Tools and Techniques

- Make a decision about doing the work themselves or outsourcing some or all of the work
- Costs involved in managing the procurement should be considered as part of the decision
- Buy, if you want to
 - Decrease risk to the project's constraints
- Make, if
 - You have an idle plant or workforce
 - You want to retain control
 - The work involves proprietary information or procedures

Procurement Statement of Work

Plan Procurement Management: Outputs

- Scope of work to be done on each procurement
- As clear, complete, and concise as possible
- Must describe all the work and activities the seller is required to complete
 - Includes all meetings, reports, and communications
- Contract problems are not easy to resolve, having a complete procurement statement of work is very important

Procurement Statement of Work

Plan Procurement Management: Outputs

- Types
 - Performance
 - “I want a car that will go zero to 120km in 4.2s”
 - Functional
 - “I want the application can perform Monte Carlo simulation”
 - Design
 - “Build it exactly as shown on these drawings”
 - The seller does the work stick to the design provided by the buyer.
- Performance and Functional procurement statement of work are commonly used for IS, IT, high-tech, research and development, and projects that have never been done before
- Design procurement statement of work are most commonly used in construction

Contract Types

- **Tools** of procurement management as in PMBOK v4
- 3 board categories of contracts
 - Fixed price (FP)
 - Time and material (T&M)
 - Cost reimbursable (CR)
- Procurement manager will **select** the contract type based on
 - What is being purchased (a good or a service)
 - The completeness of the scope of work
 - The marketplace or economy
 - Industry standards of the type of contract used
 - The level of effort and expertise the buyer managing the seller

Contract Types: Fixed Price

- A Fixed price (FP or Lump Sum, Firm Fixed Price) contract is used for
 - Acquiring goods or services with well-defined specifications or requirements
 - When there is enough competition to determine a fair and reasonable fixed price before the work begins
- Most common type of contract
- If the costs are more than the agree-upon amount, the seller must bear the additional costs
- Buyer has the least cost risk, provided the buyer has a completely defined scope
- Seller is most concerned with the procurement statement of work (the risk is on seller side)

Considerations on Fixed Price Contract

- The seller
 - Forced to accept a high level of risk
 - Would add a huge amount of reserves to their price to cover their risks
 - May to increase profits by cutting scope or claiming that work the buyer wants is outside the contract
- If seller will not be able to make any profit on the project, there is risk the seller may
 - Try to cut work that is mentioned in the contract
 - Cut out work that is not mentioned in the contract but is needed
 - Decrease quality
 - Take any other actions for saving

Different Fixed Price Contracts

- Fixed Price (FP) Contract
 - E.g. Contract = \$1,100,000
- Fixed Price Incentive Fee (FPIF)
 - Incentive is issued if some agreed **targets** are hit by the seller.
 - E.g. Contract = \$1,100,000. For every month early the project is finished, an additional \$10,000 is paid to the seller
- Fixed Price Award Fee (FPAF)
 - The award is paid **subjectively** for the seller's performance.
- Fixed Price Economic Price Adjustment (FPEPA)
 - E.g. Contract = \$1,100,000, but a price increase will be allowed in year two based on the Consumer Price Index report for year one
- Purchase Order
 - The contract is signed only by the buyer. Why?

Time and Material (T&M)

- The buyer pays on a per-hour or per-item basis.
- Frequently used for service efforts in which the level of effort cannot be defined at the time the contract is awarded.
- It has elements of a fixed price contract and a cost reimbursable contract.
- Example
 - Contract: \$100 per hour plus expenses or materials at cost
 - Contract: \$100 per hour plus materials at \$5 per linear meter of wood

Cost Reimbursable (CR)

- A cost reimbursable contract is used
 - The exact scope of work is uncertain
 - Costs cannot be estimated accurately
- Provides for the buyer to pay the seller allowable incurred costs to the extent prescribed in the contract

CR Contract: Different Forms

- Cost Contract
 - E.g. Contract = Cost. No profit.
 - Providing services to non-profit organization
- Cost Plus Fee (CPF) or Cost Plus Percentage of Costs (CPPC)
 - E.g. Contract: cost + 10% of costs as fee
- Cost Plus Incentive Fee (CPIF)
- Cost Plus Award Fee (CPAF)

Pros and Cons: Fixed Price

■ Advantages

- This is less work for the buyer to manage
- The seller has a strong incentive to control costs
- Companies have experience with this type of contract
- The buyer knows the total price before the work begins

■ Disadvantages

- If the seller underprices the work, they may try to make up profits on change orders
- The seller may try to not complete some of the procurement statement of work if they begins to lose money
- Requires more work for the buyer to write procurement statement of work

Pros and Cons: T&M

■ Advantages

- This type of contract is quick to create
- The contract duration is brief
- This is a good choice when you are hiring “bodies”

■ Disadvantages

- The seller has no incentive to control costs
- This contract type is appropriate only for small project.
Why?
- T&M contracts require a great deal of day-to-day oversight from the buyer.

Pros and Cons: CR

■ Advantages

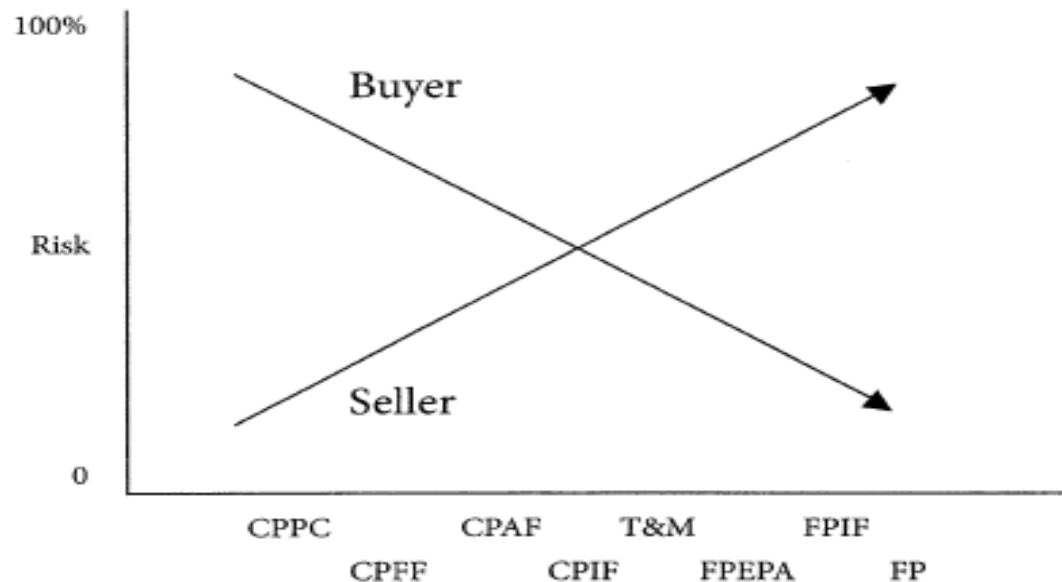
- This contract type allows for a simpler procurement statement of work
- It usually requires less work to define the scope for a CR contract than for a FP contract

■ Disadvantages

- This contract type requires auditing the seller's invoices
- Requires more work for the buyer to manage
- The seller has only a moderate incentive to control costs
- The total price is unknown

Risk and Contract Types

- Buyer has the cost risk in a cost reimbursable contract.
- Seller has the cost risk in a fixed price contract.
- You may need to memorize these acronyms.
 - Consider applying language aid for the PMP exam



Choosing Contract Types Exercise

- You need work to begin right away.
 - T&M
- You want to buy expertise in determining what needs to be done.
 - CR
- You know exactly what needs to be done.
 - FP
- You are buying a programmer's services to augment your staff.
 - T&M
- You need work done, but you don't have time to audit invoices on this work.
 - FP

Choosing Contract Types Exercise

- You need to rebuild a bridge as soon as possible after a storm.
 - FPIP
- The project requires a high level of expertise to complete, and you want to have the best performance possible in the finished product.
 - CRAF or CRIF
- You need to hire a contractor to perform research and development.
 - CR
- The scope of work is complete, but the economy is currently unpredictable.
 - FPEPA
- You are buying standard commodities.
 - PO

Procurement Documents

Plan Procurement Management: Outputs

- Request for Proposal (RFP, sometimes called Request for Tender)
 - RFPs request a **detailed proposal** on how the work will be accomplished, who will do it, resumes, company experience, price, etc.
- Invitation for Bid (IFB, or Request for Bid, RFB)
 - IFBs usually just request a **total price** to do all the work.
- Request for Quotation (RFQ)
 - RFQs request a price quote **per** item, hour, meter, or other unit of measure.

Procurement Documents

Plan Procurement Management: Outputs

Procurement Document	Contract Type	Procurement Statement of Work
Request for Proposal (RFP)	CR	Performance or Functional
Invitation for Bid (IFB)	FP	Design
Request for Quotation (RFQ)	T&M	Any

Source Selection Criteria

Plan Procurement Management: Outputs

- Included in the procurement documents to give the seller an understanding of the buyer's needs and to help the seller decide whether to bid or make a proposal on the work
- Or “Evaluation Criteria”, it may includes:
 - Understanding of needs
 - Price / life cycle cost
 - Technical approach / capability
 - Risk
 - Management approach
 - Quality of past performance / references
 - Ability to complete the work on time
 - Project management ability
 - Intellectual property rights / proprietary rights

Additional Terms

- Nondisclosure Agreement (NDA)
- Teaming Agreement (Joint Venture)
- Standard Contract
- Special Provisions (Special Conditions)
 - Risk analysis
 - The requirements and type of project
 - Administrative; legal; business

Terms and Conditions

- Acceptance Criteria
- Arbitration
- Bonds
- Breach or Default
- Changes
- Confidentiality
- Dispute resolution
- Force majeure
- Incentives
- Intellectual property
- Invoicing
- Notice
- Ownership
- Payments
- Retainage
- Site access
- Termination
- Waivers
- Warranties
- Work for hire

* For reference only

Letter of Intent

- Not a contract, but simply a letter
- Without legal binding, that says the buyer intends to hire the seller

Noncompetitive Forms of Procurement

- Noncompetitive procurements may be justified when:
 - Only one seller who can do the work
 - You want to work with a company you have worked with before
 - The project is under extreme schedule pressure
- Single Source
 - Contract directly with your **preferred seller** without going through the procurement process
- Sole Source
 - There is **only one** seller. This might be a company that owns a patent
- Both need other mechanisms to ensure prices are reasonable

Considerations

- Single Source
 - Scope: don't assume the sellers are qualified performing other works based on their previous performance
- Sole Source
 - What if the seller owns a patent and goes out of business?

Procurement Management Plan

Plan Procurement Management: Outputs

- Types of contracts
- Risk management issues
- Whether independent estimates will be used
- Standardized procurement documents
- Managing multiple suppliers
- Coordinating procurement with other project aspects, such as scheduling and performance reporting
- Any constraints and assumptions

Procurement Management Plan

Plan Procurement Management: Outputs

- Handling the long lead times to purchase items
- Handling the make-or-buy decisions
- Setting the scheduled dates in each contract for the contract deliverables
- Identifying requirements for performance bonds or insurance contracts to mitigate some forms of project risk
- Establishing the form and format to be used for the procurement statements of work
- Identifying prequalified sellers
- Procurement metrics to be used

Plan Procurement Management (planning)

Inputs

- .1 Project management plan
- .2 Requirements documentation
- .3 Risk register
- .4 Activity resource requirements
- .5 Project schedule
- .6 Activity cost estimates
- .7 Stakeholder register
- .8 Enterprise environmental factors
- .9 Organizational process assets

Tools & Techniques

- .1 Make-or-buy analysis
- .2 Expert judgment
- .3 Market research
- .4 Meetings

Outputs

- .1 Procurement management plan
- .2 Procurement statement of work
- .3 Procurement documents
- .4 Source selection criteria
- .5 Make-or-buy decisions
- .6 Change requests
- .7 Project documents updates

Conduct Procurements

(executing)

Overview

- The process of obtaining seller responses, selecting a seller, and awarding a contract
- The key benefit of this process is that it provides alignment of internal and external stakeholder expectations through established agreements

Bidder Conference

Conduct Procurements: Tools and Techniques

- Meetings between the buyer and all prospective sellers prior to submittal of a bid or proposal
- To ensure that all prospective sellers have a clear and common understanding of the procurement requirements
- Project Manager must watch out:
 - Collusion
 - Sellers not asking questions in front of the competitors
 - Making sure all questions and answers are put in writing and issued to all potential sellers

Weighting System

Seller A			
	A	B	C
Criteria	Weight	Rating for this category on a 1 to 100 scale	Category score (column A times B)
Number of years in business	5 percent	50	2.5
Understanding of need	25 percent	80	20
Price or life cycle cost (see definition in the Cost Management chapter)	10 percent	90	9
Technical ability	25 percent	40	10
Ability to complete the work on time	20 percent	30	6
Project management ability	15 percent	30	4.5
Total score for this seller			52

Procurement Negotiations

Conduct Procurements: Tools and Techniques

- Objectives
 - Obtain a fair and reasonable price
 - Develop a good relationship with the seller
- Tactics
 - Attacks
 - Personal insults
 - Good guy/bad guy
 - Deadline
 - Lying
 - Limited authority
 - Missing man
 - Delay
 - Extreme demands
 - Withdrawal
 - Fait accompli (a done deal)

* Refer to p.498 of Rita's book.

Items to Negotiate

- Main items
 - Scope
 - Schedule
 - Price
- Other things need to be negotiated
 - Responsibilities
 - Applicable law
 - Project management process to be used
 - Payments schedule

Agreements

Conduct Procurements: Outputs

- Statement of work or deliverables
- Schedule baseline
- Performance reporting
- Period of performance
- Roles and responsibilities
- Seller's place of performance
- Pricing
- Payment terms
- Place of delivery
- Inspection and acceptance criteria

Agreements

Conduct Procurements: Outputs

- Warranty
- Product support
- Limitation of liability
- Fees and retainer
- Penalties
- Incentives
- Insurance and performance bonds
- Subordinate subcontractor approvals
- Change request handling
- Termination clause and alternative dispute resolution (ADR) mechanisms

Contracts

- A kind of agreements
- The purposes
 - To define roles and responsibilities
 - To make things legally binding
 - To mitigate risk
- What are needed?
 - An offer
 - Acceptance
 - Consideration (something of value)
 - Legal capacity (the legal parties)
 - Legal purpose

Conduct Procurements (executing)

Inputs

- .1 Procurement management plan
- .2 Procurement documents
- .3 Source selection criteria
- .4 Seller proposals
- .5 Project documents
- .6 Make-or-buy decisions
- .7 Procurement statement of work
- .8 Organizational process assets

Tools & Techniques

- .1 Bidder conference
- .2 Proposal evaluation techniques
- .3 Independent estimates
- .4 Expert judgment
- .5 Advertising
- .6 Analytical techniques
- .7 Procurement negotiations

Outputs

- .1 Selected sellers
- .2 Agreements
- .3 Resource calendars
- .4 Change requests
- .5 Project management plan updates
- .6 Project documents updates

Control Procurements

(monitoring and controlling)

Overview

- The process of managing procurement relationships, monitoring contract performance, and making changes and corrections to contracts as appropriate
- The key benefit of this process is that it ensures that both the seller's and buyer's performance meets procurement requirements according to the terms of the legal agreement

PM's Role

- Project manager must understand
 - What problems and issues to watch out for under the different contract types that might affects the management of the project
 - That all work and legal requirements in the contract must be accomplished
 - That the project manager must help uphold all parts of the contract, not just the project scope

New RDS Tasks

Control Procurements

- Monitor procurement activities according to the procurement plan in order to verify compliance with project objectives.

Actions

- Managing procurement relationships, monitoring contract performance, and making changes and corrections as needed
- Ensures that the seller's performance meets procurement requirements and that the buyer performs according to the terms of the contract
- On larger projects with multiple providers, need to manage the interfaces among the various providers
- Monitoring payments to the seller
 - This ensures that payment terms are met
 - The seller compensation is linked to seller progress, as defined in the contract
- Contracts can be amended at any time prior to contract closure by mutual consent, in accordance with the **change control terms of the contract**

Actions

- Review invoices
- Document
- Manage changes
- Authorize payments to the seller
- Interpret what is / is not in the contract
- Interpret what the contract means
- Resolve disputes
- Make sure only authorized people are communicating with the seller
- Work with procurement manager regarding requested and approved changes and contract compliance

Actions

- Hold procurement performance review meetings
- Report on performance
- Monitor cost, schedule, and technical performance against the contract
- Understand the legal implications of action taken
- Control quality according to the contract
- Review claims filed by the seller

Actions

- Authorize the seller's work to start
- Correspond with the seller and with others
- Manage interfaces among all the sellers
- Send copies of changes to the appropriate parties
- Verify that the correct scope is being done
- Perform inspections and audits
- Re-estimate risks, costs and schedule
- Identify, monitor and control risk

For Fixed-Price Contract

- Watch for the seller cutting scope
- Watch for the seller cutting quality
- Watch for overpriced change orders
- Check for scope misunderstandings

For T&M Contract

- Provide day-to-day direction to the seller
- Attempt to get concrete deliverables
- Make sure the project length is not extended
- Make sure the number of hours spent on work is reasonable
- Watch for situations when switching to a different form of contract makes sense

For CR Contract

- Audit every invoice
- Make sure all the costs are applicable and chargeable to your project
- Make sure the seller's work is progressing efficiently
- Watch for the seller adding resources to your project that do not add value or perform real work
- Watch for resources being shifted from what was said in the original proposal
- Watch for seller charges that were not part of the original plan
- Re-estimate the cost of the project

Conflicts

- In most projects that use a contract, procurement manager or contract administrator other than the project manager controls the contract.
- Procurement manager is the only one role with authority to change the contract.

Contract Change Control System

Control Procurements: Tools and Techniques

- Defines the process by which the procurement can be modified
- It includes the paperwork, tracking systems, dispute resolution procedures, and approval levels necessary for authorizing changes
- Contracts should include procedures to accommodate changes

Records Management System

Control Procurements: Tools and Techniques

- Records are critical when disputes arise
- May be necessary to satisfy insurance requirements
- Can include indexing system, archiving system and information retrieval system
- Includes
 - Contract
 - Changes
 - Submittals from the seller (drawings, etc.)
 - Financial information
 - Inspection results
 - Lessons learned

Control Procurements

Tools and Techniques

- Procurement Performance Review
 - PM should analyze all available data to verify that the seller is performing as they should
- Claims Administration
 - Claims (disputes, appeals) are
 - Contested changes and potential constructive changes are those requested changes where the buyer and seller cannot reach an agreement on compensation for the change or cannot agree that a change has occurred
 - Mostly happen when the statement of work is incomplete
 - Best to settle through negotiations or dispute resolution process as in the contract

Points to Note

- Contract Interpretation: may require lawyer's assistance
- Termination
 - The contract should have provisions for termination prior to the work being completed
 - Usually the buyer terminates when the seller breaches the contract

Control Procurements

(monitoring and controlling)

Inputs

- .1 Project management plan
- .2 Procurement documents
- .3 Agreements
- .4 Approved change requests
- .5 Work performance reports
- .6 Work performance data

Tools & Techniques

- .1 Contract change control system
- .2 Procurement performance reviews
- .3 Inspections and audits
- .4 Performance reporting
- .5 Payment systems
- .6 Claims administration
- .7 Records management system

Outputs

- .1 Work performance information
- .2 Change requests
- .3 Project management plan updates
- .4 Project documents updates
- .5 Organizational process assets updates

Close Procurements

(closing)

Overview

- The process of completing each procurement
- The key benefit of this process is that it documents agreements and related documentation for future reference

Related Concepts

- Supports the Close Project or Phase process since it involves verification that all work and deliverables were acceptable
- Involves administrative activities such as finalizing open claims, updating records to reflect final results and archiving such information
- Unresolved claims may be subject to litigation after closure
- The contract terms and conditions can prescribe specific procedures for contract closure
- **Early termination** of a contract can result from a **mutual agreement** of both parties, from the **default** of one party, or for convenience of the buyer if provided for in the contract.

Administrative and Procurement Closure

- Administrative closure is closing out a project or phase.
- There may be many procurements in one project, so there will be many procurement closures.
- All procurements must be closed before the project is closed
- Procurement closure requires more record keeping and must be done more formally than is generally required for project closure, to make sure to protect the legal interests of all parties

Works to be Done

- Works to be done during procurement closure by procurement manager or project manager
 - Product verification
 - Negotiated settlement
 - Financial closure
 - Procurement audit
 - Updates to records
 - Final procurement performance reporting
 - Lessons learned
 - Procurement file

Procurement Audits

Close Procurements: Tools and Techniques

- A structured review of the procurement process originating from the Plan Procurement Management process through Control Procurements
- To identify successes and failures that warrant recognition in the preparation or administration of other procurement contracts on the project, or on other projects within the performing organization

Procurement Negotiations

Close Procurements: Tools and Techniques

- In all procurement relationships, the final equitable settlement of all outstanding issues, claims, and disputes by negotiation is a primary goal.
- Whenever settlement cannot be achieved through direct negotiation, some form of alternative dispute resolution (ADR) including mediation or arbitration may be explored.
- When all else fails, litigation in the courts is the least desirable option.

Formal Acceptance

- Once closure is completed and the seller has received formal sign-off that the products of the procurement are acceptable from the buyer, the procurement is closed

Close Procurements (closing)

Inputs

- .1 Project management plan
- .2 Procurement documents

Tools & Techniques

- .1 Procurement audits
- .2 Procurement negotiations
- .3 Records management system

Outputs

- .1 Closed procurements
- .2 Organizational process assets updates

Exercise

- Once signed, a contract is legally binding unless:
 - A. One party is unable to perform.
 - B. One party is unable to finance its part of the work.
 - C. It is in violation of applicable law.
 - D. It is declared null and void by either party's legal counsel.

Answer: C

- With a clear contract statement of work, a seller completes work as specified, but the buyer is not pleased with the results. The contract is considered to be:
 - A. Null and void.
 - B. Incomplete.
 - C. Complete.
 - D. Waived.

Answer: C

- All of the following statements concerning procurement documents are incorrect EXCEPT:
 - A. Well-designed procurement documents can simplify comparison of responses.
 - B. Procurement documents must be rigorous with no flexibility to allow consideration of seller suggestions.
 - C. In general, bid documents should not include evaluation criteria.
 - D. Well-designed procurement documents do not include a procurement statement of work.

Answer: A

- The primary objective of incentive clauses in a contract is to:
 - A. Reduce costs for the buyer.
 - B. Help the seller control costs.
 - C. Synchronize objectives.
 - D. Reduce risk for the seller by shifting risk to the buyer.

Answer: C

- Which of the following statements about change control are correct:
 - A. A fixed price contract will minimize the need for change control.
 - B. Changes seldom provide real benefits to the project.
 - C. Contracts should include procedures to accommodate changes.
 - D. More detailed specifications eliminate the causes of changes.

Answer: C

- The primary objective of contract negotiations is to:
 - A. Get the most from the other side.
 - B. Protect the relationship.
 - C. Get the highest monetary return.
 - D. Define objectives and stick to them.

Answer: B

- Bidder conferences are part of:
 - A. Plan Procurements.
 - B. Control Procurements.
 - C. Conduct Procurements.
 - D. Communications Management

Answer: C

- All of the following MUST be present to have a contract EXCEPT:
 - A. Procurement statement of work
 - B. Acceptance
 - C. Address of the seller
 - D. Buyers' signatures

Answer: C

- Which of the following BEST describes the project manager's role during the procurement process?
 - A. The project manager has only minor involvement.
 - B. The project manager should be the negotiator.
 - C. The project manager should supply an understanding of the risks of the project.
 - D. The project manager should tell the contract manager how the contracting process should be handled.

Answer: C

- Which of the following activities occurs during the Plan Procurement Management process?
 - A. Make-or-buy decisions
 - B. Answering sellers' questions about the bid documents
 - C. Advertising
 - D. Proposal evaluation

Answer: A

- Which of the following is the BEST thing for a project manager to do in the Conduct Procurements process of procurement management?
 - A. Evaluate risks
 - B. Select a contract type
 - C. Update the project schedule
 - D. Answer sellers' questions about bid documents

Answer: D

- In a fixed price (FP) contract, the fee (or profit) is:
 - A. Unknown.
 - B. Part of the negotiation involved in paying every invoice.
 - C. Applied as a line item to every invoice.
 - D. Determined with the other party at the end of the project.

Answer: A

- A project performed under a cost reimbursable contract has finally entered the Close Procurements process. What MUST the buyer remember to do?
 - A. Decrease the risk rating of the project.
 - B. Audit seller's cost submittals.
 - C. Evaluate the fee he is paying.
 - D. Make sure that the seller is not adding resources.

Answer: B

- As part of the records management system, you are trying to make sure that all records from the procurement are documented and indexed. Which of the following do you NOT have to worry about?
 - A. Proposal
 - B. Procurement statement of work
 - C. Terms and conditions
 - D. Negotiation process

Answer: D

- You are in the middle of a complex negotiation when the other party says, “We need to finish in one hour because I have to catch my plane.” That person is using which of the following negotiation strategies?
 - A. Good guy, bad guy
 - B. Delay
 - C. Deadline
 - D. Extreme demands

Answer: C

- With which type of contract is the seller MOST concerned about project scope?
 - A. Fixed price
 - B. Cost plus fixed fee
 - C. Time and material
 - D. Purchase order

Answer: A

- Your company has an emergency and needs contracted work done as soon as possible. Under these circumstances, which of the following would be the MOST helpful to add to the contract?
 - A. A clear procurement statement of work
 - B. Requirements as to which subcontractors can be used
 - C. Incentives
 - D. A force majeure clause

Answer: C

- A project manager is in the middle of creating a request for proposal (RFP). What part of the procurement process is she in?
 - A. Conduct Procurements
 - B. Plan Procurement Management
 - C. Control Procurements
 - D. Make-or-Buy Analysis

Answer: B

- Close Procurements is different from Close Project or Phase in that Close Procurements:
 - A. Occurs before Close Project or Phase.
 - B. Is the only one to involve the customer.
 - C. Includes the return of property.
 - D. May be done more than once for each contract.

Answer: A

- You have just started administering a contract when management decides to terminate the contract. What should you do FIRST?
 - A. Go back to the Plan Procurement Management process.
 - B. Go back to the Conduct Procurements process.
 - C. Finish the Control Procurements process.
 - D. Go to the Close Procurements process.

Answer: D

- Which of the following is the BEST order of topics for the seller to negotiate?
 - A. Performance, time, cost
 - B. Cost, time, performance
 - C. Time, performance, cost
 - D. Cost, performance, time

Answer: A

- A seller has failed to make delivery on a major item for your project. What is likely to be the LEAST effective thing to do?
 - A. Terminate the contract for default.
 - B. Work with the seller to correct the problem.
 - C. Negotiate an extension of time.
 - D. Hire another seller to work side by side with the original seller.

Answer: D

The End