

# COMPETITIVE PROCUREMENT OVERVIEW FOR PERSONAL SERVICES

## Procurement Planning

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*Washington State's public policy **strongly** favors competition.*

It is always advisable to use the competitive procurement process for personal services. Competitive bidding is a powerful tool for garnering the highest quality professional service from consultants at the most reasonable price.

Competition is required for personal service contracts of \$5,000 or more. However, in keeping with the state's public policy favoring competition, use of limited competition is recommended for contracts less than \$5,000. The [competitive threshold chart](#) provides the highlights of the major activities associated with the competitive processes. Refer to [SAAM Policy 15.20](#) for the detailed competitive requirements for the applicable dollar amount.

*Here's why competition is beneficial:*

### **Increased Participation.**

A competitive process provides a greater number of firms an opportunity to submit proposals/offers to the state and encourages qualified firms to participate.

### **Lower Prices.**

Full and open competition reduces costs since prospective contractors submit their best offers to obtain contracts.

### **Higher Quality.**

Consultants who develop proposals in a competitive environment pull together the strongest management and technical teams available.

### **Innovation.**

Issuing solicitations to a number of consultants provides the opportunity to select from the most qualified and skilled talent available in the marketplace. An agency may find a consultant's alternative approach to solving a problem more effective than that initially envisioned by staff.

### **Avoid Favoritism.**

Unfounded or not, accusations of favoritism can hurt your agency and mar its reputation. Conducting a fair and open competitive process will help avoid any such claims.

### **Avoid Unsavory Publicity.**

Even the best-prepared contracts can go awry. When they do, you are in a more defensible position when you have competitively bid your project.

Competitive procurement actions cannot be carried out successfully without sufficient planning and preparation by the agency. Planning lays the groundwork for an efficient and effective process. It provides information that enables staff to decide how best to accomplish the procurement, what specific actions need to be taken to obtain the service, and how to assure contract performance is accomplished to meet program requirements. Effective planning results in a clear perception and description of the need.

Advance planning also provides the means for an agency to assure it is in full compliance with state statutes, regulations, policies and procedures. Good analysis, good thinking, and good planning are the best ways to ensure selection of a qualified consultant. Selecting a qualified consultant sets the stage for success, but good contract management will help ensure the agency gets the results expected from the contract.

Defining the need contributes to effective prioritization of the funding required, a common understanding within the agency of the need, and the identification of the nature of the work and the level of service required to meet the need.

Defining the need also contributes to the determination of how performance and quality will be measured. The ability to specify and convey what is needed forms the basis for obtaining a fair and reasonable price while selecting the best-qualified contractor. Two questions should be answered:

- 1) Is there a real need for the service?
- 2) If there is a real need or problem, what is the most feasible method to resolve it?

Answers to these questions should become clear in the process of developing a scope of work. The scope of work should begin with a clear definition of the issue, need, or problem, and be supplemented with comprehensive background information regarding the work needed.

Management's buy-off of the project is another step to determine whether to proceed beyond the planning phase. Each agency will proceed in this phase according to its own internal processes.

Management will play a key role in preparing the agency for the project. This support will:

- Clarify what the consultant will be doing.
- Prepare staff to assist the consultant.
- Improve the consultant's productivity.
- Minimize the inconvenience and disruption to staff due to the consultant's presence.
- Establish responsibility for post-contract decisions, wherein the consultant's recommendations are implemented.

One of the most important considerations to be addressed during the planning process is the availability of sufficient funding to cover the project expenditures. Adequate funding based on in-house cost projections must be verified. If funding is inadequate or unavailable, the project cannot start.

When funding is available, the type of appropriation should be considered. For state agencies whose funds are appropriated for a fiscal year or biennial period, those funds cannot be disbursed for work performed in a subsequent period. A state-funded contract can cross biennial lines, but the contract should contain a term indicating services beyond June 30 are subject to availability of funding.

In addition to the identified costs associated with contracting for personal services, agencies should also consider overhead expenses, such as costs for staff involvement with contract development, contract management, monitoring and internal fiscal processes, training, legal review of the contract, and dispute resolution.

Agencies use contractors to meet needs or to address specific problems when internal resources are not available. Contractors have historically been used by agencies to provide: personal services when they need:

### **Specialized Skills, Knowledge, and Resources**

An agency might engage a professional contractor to focus greater specialized knowledge and technical skill on a problem than can be provided by internal staff. A qualified contractor will possess the body of knowledge, skills and techniques in a given area of specialization.

### **Broad Experience**

While each agency's situation is in some respects unique, few problems are completely without precedent to professional consultants. An experienced contractor has learned to anticipate problems and draw from techniques developed in similar situations for solving the problems. Often a contractor can offer an agency previously tested solutions to chronic operational or technical problems.

### **Objectivity**

One of the most valuable attributes of an outside contractor is objectivity. The contractor may offer an independent and impartial perspective that brings fresh and constructive insights into a situation.

### **Credibility**

In some instances, state agencies must present findings and recommendations to policy makers, such as the Governor, Legislature, commissions, etc. An independent qualified source can often bring credibility to an evaluation of the problem.

Policy makers often value recommendations offered by reputable contractors with extensive expertise and stature in their fields.

### **Timeliness**

A contractor can devote a concentrated effort to an identified problem without the distractions of daily operating responsibilities. This is particularly important when a deadline for a project has been established and staff schedules and other work assignments conflict with the project completion date.

## Innovation

A contractor can fill an important role in advocating change. Occasionally, solutions fail internally because vested interests, internal loyalties, tradition, or pre-conceptions promote resistance to change. An effective contractor can offer innovative suggestions and inform decision makers of the benefits of creative approaches to long-standing problems.

If agency management determines that a project is warranted, the statement of need will provide direction to potential contractor. The statement of need will also be useful in establishing a basis for evaluating the contractors' proposals.

## Negotiated Procurement

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Personal services are often more subjective in nature and therefore more difficult to specify than services or products procured through a sealed bid process. Intangible properties such as human effort and impartial advice may not be evaluated in the same way as supplies or equipment.

Evaluation criteria for personal service procurements may include quality, reputation, experience, and technical capabilities among the evaluation criteria. Cost or price is an element in evaluation but the selection need not be driven solely by price. The solicitation document must clearly set forth all the evaluation criteria.

## Personal Services Competitive Highlights Chart

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This chart provides highlights of the major steps involved in a competitive process. See [SAAM Policy 15.20](#) for the **specific requirements** for competition for personal services at the various dollar thresholds.

Dollar Threshold	Summary of Competitive Process*	Personal Services Competitive Procurement Major Activities
\$1 - \$4,999	Not Required	<ul style="list-style-type: none"><li>Seeking competition is always recommended, though not required for this dollar range.</li><li>Telephone calls can be made to firms or individuals, describing the services desired and requesting price, schedule and qualifications to perform.</li><li>Written contract is entered into upon selection of contractor, regardless of dollar amount.</li><li>Sign contract and begin work.</li></ul>
\$ 5,000 - \$19,999	Informal Competition, which is also called "Evidence of	<ul style="list-style-type: none"><li>Prepare written document/letter including, at a minimum: description of services required, project schedule, request for consultant's qualifications, request for costs or fees and due date, location and time for responses.</li></ul>

Dollar Threshold	Summary of Competitive Process*	Personal Services Competitive Procurement Major Activities
	Competition"	<ul style="list-style-type: none"> <li>• If contract is estimated to be \$10,000 - \$19,999, post in WEBS (mandatory as of 7/22/11).</li> <li>• Send to a minimum of three firms/individuals. Responses may be faxed or e-mailed and responses may be faxed or e-mailed back to agency to expedite processing.</li> <li>• Evaluate responses and make award decision based upon the criteria stated in the written solicitation document/letter. One or more evaluators may be used.</li> <li>• Notify successful and unsuccessful proposers.</li> <li>• Negotiate contract.</li> <li>• Document for file: names of firms solicited; copy of solicitation document; copy of responses received; basis for award decision; copy of executed contract.</li> <li>• Sign contract and begin work.</li> <li>• Report the contract to DES in the <a href="#">PSCD</a>.</li> </ul>
\$20,000 or more	Formal Competition	<ul style="list-style-type: none"> <li>• Prepare formal solicitation document, e.g., Request for Proposals (RFP) or Request for Qualifications/Quotations (RFQQ). Include all requirements in order for proposers to understand what the agency needs and how the agency will evaluate responses.</li> <li>• Post in WEBS (mandatory as of 11/1/08) and notify six or more firms. Exceptions to the use of WEBS are if a commodity code is not available in WEBS or no firms are registered in the selected commodity code. Advertising may also be used in addition to WEBS. If fewer than six firms are available in WEBS, the agency must notify additional firms so that a minimum of six are notified of the solicitation. If WEBS does not have the commodity code category of service and the category cannot be added in a timely manner, then advertising is required in a newspaper the agency determines to be the most advantageous for the purposes of alerting businesses about the solicitation.</li> <li>• Post solicitation document on agency website (optional).</li> <li>• Develop score sheets for use by evaluators.</li> <li>• Issue RFP or RFQQ through WEBS to a minimum of 6 firms/businesses. If WEBS is not an option, agencies may send notification to 6 or more businesses that the solicitation document is posted on their web site and can be accessed there.</li> </ul> <p><b><i>(NOTE: Requirement to send to a minimum of 6 became effective 7/1/04. Document in file if fewer than 6 firms are contacted and state why.)</i></b></p> <ul style="list-style-type: none"> <li>• Conduct pre-proposal conference, if required in RFP or RFQQ,</li> </ul>

Dollar Threshold	Summary of Competitive Process*	Personal Services Competitive Procurement Major Activities
		<p>and issue an addendum.</p> <ul style="list-style-type: none"> <li>• Provide answers to bidders' questions via an addendum to all who receive the RFP or RFQQ. Or advise those who download the RFP or RFQQ from the web site to check back for any addenda that may be posted.</li> <li>• Date, time stamp and initial proposals received by the due date. Electronic proposals will have the date and time automatically noted.</li> <li>• Evaluate proposals strictly against criteria set forth in the RFP or RFQQ and score. Must use a minimum of 3 evaluators for scoring and score proposals using score sheets.</li> <li>• Schedule and conduct oral interviews of top finalists, if referenced in the solicitation as an option.</li> <li>• Select apparent successful contractor.</li> <li>• Notify successful and unsuccessful firms.</li> <li>• Negotiate contract with apparent successful contractor.</li> <li>• Conduct debriefing conferences with unsuccessful proposers, if requested.</li> <li>• File contract with DES in the <a href="#">PSCD</a>.</li> </ul> <p><i>FILING NOTES:</i></p> <ol style="list-style-type: none"> <li>1) <i>Institutions of higher education will need to file only if the contract contains 20K or more in state funds.</i></li> <li>2) <i>Competitively bid contracts for management/organizational services (CA), marketing (CG), communication services (CH), employee training (CJ), and employee recruiting services (CK), are subject to approval by DES and the ten-working day filing period before the contractor can begin work. Other competitively awarded categories of contracts may be effective the date filed with DES and work may begin then.</i></li> </ol> <ul style="list-style-type: none"> <li>• Sign contract (contingent upon DES approval, if required) and begin work.</li> </ul>

## Performance Measures and Outcomes

Agencies may want to consider whether performance measures and outcomes should be identified in the contract. The purpose of performance measures is to provide a standard or measure for performance of the contracted services. Performance measures are also used to

determine if, and when, the contractor has successfully completed performance, and when and how much the contractor should be paid.

Contract performance measures may:

- Define the standards for measuring contractor performance.
- Provide a means to monitor performance.
- Measure satisfaction with the contractor.
- Provide data for program evaluation.

When developing performance measures, consideration should be given in advance to how the data is to be submitted, analyzed, and maintained. Do not request data that will not be used. Key questions to consider include:

- How much information can reasonably be requested, submitted, and analyzed?
- How often and on what schedule must the data be reported?
- How will the information be submitted?
- Who will receive the information?
- How will feedback be provided to the contractor?
- What is the cost and benefit of each proposed performance measure?

Characteristics of good performance measures:

- Are easily understood by contractors, state agencies, and the general public.
- Focus on the performance expected from the contractor.
- Are well defined and consider both the quantitative (how much?) and qualitative (how well?) aspects of performance.
- Include a well-defined method for reporting data.
- Are relevant, timely, and verifiable.
- Are realistic in terms of available resources, funding and timelines, and recognize external factors beyond the control of the system.

Contract managers should check the funding source(s) or statutory authority to determine whether any specific outcomes are mandated. Then, consider the follow questions:

- How will you know the service has actually been provided (other than taking the contractor's word for it)?
- Are you concerned about the *quality* of the service? If so, include a mechanism for measuring quality.
- Are you looking for a specific outcome?
- Is payment contingent on an event, product, or outcome? If so, how will you ascertain that the contractor has satisfied the requirement? If not, consider tying payment to an event, product, or outcome.

## Locating Consultants

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Potential bidders may be located using many sources:

- Master personal service contracts issued by the Washington State Department of Enterprise Services (DES).
- Washington Electronic Business Solutions ([WEBS](#)) system
- Responses to a published legal notice (required for personal service contracts of \$20,000 or more)
- Agency consultant listings or bidder's lists
- Office of Minority and Women's Business Enterprises BizNet System:  
<http://www.omwbe.wa.gov/>
- Internet
- Trade journals and periodicals
- Professional societies and associations
- Telephone book

There are large consulting firms, small consulting firms, and sole proprietors. Large firms generally have a wider variety of technical resources and support services, but they often have higher overhead and higher fees. Small firms and sole proprietors generally devote more of themselves and their talents to the client (the agency). Your agency may be their principal or only client at the time. Yet in a small firm there is also the potential of not receiving as broad a level of technical support as one might need for a project. The choice will depend on the particular assignment or project and its complexity and scope.