



Decision to Tender or Obtain Quotes

The main determinate in deciding whether to tender a request or to simply obtain quotes is not only a matter of value but also depends upon how complicated the purchase is. Generally, however, the total dollar value is the deciding factor. The following amounts are to be used as a guideline for this purpose:

- | | |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| \$0-4999 | Discretion of the department requisitioning the goods/services or Materials Management. |
| \$5000-14,999 | For Goods and Services at least three (3) written quotations should be obtained if known vendors exist. For Construction Projects discretion is left to Facilities to obtain competitive quote for purchases less than \$14,999. |
| \$15,000 – 24,999 | A formal tender is recommended to be sent to at least three qualified bidders. Should attempt to receive at least three (3) written quotations if known vendors exist. |
| \$25,000-74,999 | For Goods and Services a formal tender (Request For Quotation [RFQ] or Request For Proposal [RFP]) should be sent to at least three or more qualified bidders if known vendors exist. |
| \$75,000-99,999 | For Goods and Services a formal tender (RFQ/RFP) must be posted on the Alberta Purchasing Connection or through an approved Alberta / British Columbia/ Saskatchewan New West Partnership Trade Agreement (NWPTA) medium. |

- \$100,000+** For Goods and Services a formal tender (RFQ/RFP) must be posted nationally through an approved Agreement on Internal Trade (AIT) medium (Annex 502.4 MASH Annex) medium (i.e. Alberta Purchasing Connection or CoolNet).
- \$200,000-249,999** For all Construction Projects a formal tender (RFQ/RFP) must be posted through an approved NWPTA medium (i.e. Alberta Purchasing Connection or CoolNet).
- \$250,000+** A formal tender (RFQ/RFP) must be posted nationally through an approved AIT medium (i.e. Alberta Purchasing Connection or CoolNet) for all construction projects.

Steps In The Tendering Process

General Procedure

STEP 1: User Department / Purchasing Discussions Prior to Tendering

Prior to initiating the tendering process Materials Management will discuss with end-users the key elements involved in the tender process. It is crucial that Materials Management and end-user departments both agree to the following **before** issuing the tender:

- Most suitable tendering format to be used, i.e., RFQ / RFP
- Selection criteria and evaluation process
- Qualified bidders to be included/excluded
- Bidder requirements
- Minimum specifications to be included
- Essential terms and conditions to be included in the tender documents
- Clarification of the responsibilities and roles of both departments during and after the tendering process
- All the end users concerns with respect to any of the bidders or with any aspects of the competitors bidding process are discussed

STEP 2: Evaluating Tender Responses

Usually one of two evaluation methods is selected depending upon whether a RFQ or RFP document is used.

Type 1: REQUEST FOR QUOTATION - Evaluation Process

Assumption: All bidders receiving the RFQ are qualified.

Basic Principle: In the absence of any other selection criteria included in the tender document and if a contract is awarded it must be made upon the basis of the bidder submitting the lowest qualified bid. The receipt of bids is not an obligation of the University to award a contract and the RFQ/RFP process may be cancelled by the University at any time.

- Review all bidder responses and eliminate those bidders that do not meet the minimum product specifications or bidder requirements (i.e. delivery).
- Illustrate on a spreadsheet all costs submitted by those bidders that met all of the specifications and requirements;
- Select the bidder with the lowest total cost of ownership.

Type 2: REQUEST FOR PROPOSAL - Evaluation Process

At least three (3) U of L representatives should evaluate all bids received. Representatives should be familiar with the items being tendered and with the evaluation process. When evaluating RFP's, there are usually three (3) approaches used:

- **Approach 1:** by the process of elimination or short-listing;
- **Approach 2:** by an evaluation model using weights and scores;
- **Approach 3:** by using a combination of the above approaches (1 & 2).

Approach 1: Evaluating By Elimination

- This approach works best in situations in which, given certain technical requirements, the bidder response(s) makes it relatively easy by the process of elimination to "Short-List" to the best two or three remaining vendors.
- By then reviewing all other selection criteria in the RFP, (i.e., past performance, references, warranty offered, price, etc.), a final decision can be made to award the contract to the vendor that best meets all the criteria specified.

Approach 2: Evaluation Models

- When the decision to select a particular bidder is not clear due to the subjective nature of the requirement(s) being tendered, (i.e., evaluating consultants) or because all bidders responding to the RFP appear to have submitted good proposals, a possible evaluation tool to consider using is the Evaluation Model shown in Exhibit #1.

Approach 3: Using A Combination Of Approaches With Evaluation Models

The Evaluation Model is a table whereby each of the selection criteria being used is assigned a weight to signify the relative importance of that factor in making the final decision.

Using the example shown in Exhibit #1 the criteria of price was given a weight factor of three (3) in the evaluation of a RFP submitted for consulting services.

EXHIBIT #1
Sample Evaluation Model Score Sheet
For use with a Request for Proposals for Consulting Services

Criteria	Weight (1-3)	Score (1-10)	Points
Price	3	8	24
Time Schedule	2	10	20
References	1	10	10
Experience - Contractor	1	7	7
Experience - Project Manager	1	8	8
Proposed Approach / Creativity	2	5	10
Totals	10		79

Evaluator:

Date:

Vendor:

- Each weighted factor was then multiplied by the score received. In the example given, the bidder received a price score of eight (8) out of a possible ten (10) and this score was then multiplied by the assigned weight factor (i.e. 3), for a total price category score of twenty-four (24). This calculation is applied throughout the Evaluation Model and in our example; the bidder rated an overall score of seventy-nine (79).
- The advantage in using evaluation models is that although they are not an exact science they do provide a reasonable method of quantifying subjective criteria which is equally applied to all bidders.
- Evaluation models are often used when a number of people are involved in the procurement decision.

Additional Example of an Evaluation Model

The following page is an example of another ***Evaluation Model*** that could be used to evaluate equipment such as photocopiers with automatic duplexing features.

Since many equipment purchase decisions are mainly concerned with the same factors, (i.e., price, technology, service and terms and conditions offered by the Vendor), this ***Basic Evaluation Model*** could possibly be adapted to fit other situations. The relative weights and evaluation scores may require some alteration(s).

Exhibit #2 Additional Sample Evaluation Model For Use When Evaluating Equipment

A. Evaluation Factor	B. Weight Factor (1-5)	C. Total Score (1-10)	D. Total Weighted Score	Percentage Of Score
1. Price: <ul style="list-style-type: none"> • competitive through range • length of term for price guarantee 	4	10	40	20%
2. Service: <ul style="list-style-type: none"> • guaranteed response times • reference checks • past performance 	4	10	40	20%
3. Technology: <ul style="list-style-type: none"> • year of manufacture • variety/range of product & quality • exclusivity & patent features • user friendly 	4	10	40	20%

<ul style="list-style-type: none"> features • ease of duplexing • component upgradeability 				
4. Flexibility & Responsiveness to R.F.P. Conditions: <ul style="list-style-type: none"> • interchange versus locked in • offers full program, i.e., rent/lease/purchase • removal charges • conversion of program to another 	3	10	30	15%
5. Canadian Content:	2	10	20	10%
6. Electronic Billing:	2	10	20	10%
7. Presentation:	1	10	10	5%
TOTALS			200	100%

STEP 3: Developing a Letter of Justification

After tenders have closed and the department has evaluated all responses, in accordance with the selection criteria, Materials Management requires a brief **Letter of Justification** (Sample #1) from the department **before a Purchase Order can be issued**. The purpose of this letter is not to determine if the department has made the "right" decision; in many cases the level of expertise is greater at the department level than with Materials Management.

In requesting a **Letter of Justification**, Materials Management is interested in insuring that in their selection departments have considered the following:

- Have used only the selection criteria listed in the tender document to evaluate bidders
- That the process to select the successful bidder(s) and thereby eliminate the others was applied fairly to each bidder and was consistent with the criteria specified in the RFQ or RFP
- Letters of Justification confirm that the University's tendering process was properly conducted (i.e. all bidders were treated fairly and evaluated equally)

Example:

Please see the sample **Letter of Justification** (Sample #1). Note that this is a particularly detailed example made primarily for illustration purposes.

Exceptions to the Tendering Process:

There are four (4) exceptions to the tendering process:

1. Sole Source Justification
2. Emergency Purchases
3. Sole Source Justification By Reason Of Compatibility
4. Goods/Services are already under contract

Exception #1: Sole Source Justification

A Sole Source purchase is one where the specifications of the product/service limit its purchase to only one known source of supply. This does not mean a “Single Source” where one vendor is preferred over another. A brief statement attached to the Materials Management Departmental Requisition form which stating the reason(s) for the specification(s) and why an alternative(s) is not acceptable.

End users should be aware that although the item may not be tendered to multiple vendors Materials Management may still issue a RFP or RFQ to the particular vendor in order that a contract can be established.

Exception #2: Emergency Purchases

At the discretion of the Manager of Materials Management or designate; legitimate emergency requirements may be excluded from the tendering process.

What is the definition of an **Emergency Purchase**?

- An emergency purchase is defined as a procurement that is needed to “protect life and property, prevent substantial economic loss, and/or prevent the interruption of essential services”.

Exception #3: Sole Source Justification By Reason of Compatibility

To ensure validity and reliability of research results a researcher can request that the same manufacturer's equipment be purchased as is already in his/her laboratory. This is usually because both pieces of equipment will be integrated in some way in conducting experiments. A brief written request is to be forwarded to Materials Management outlining the need for compatibility.

Exception #4: Goods/Services Are Already Under Contract

Certain contracts may already exist for some commodities. These may be through contracts the University has issued or through authorized third party contracts such as the Lethbridge Public Purchasing Consortium (LPPC).

- Please contact Materials Management if you require clarification on any purchase you are unsure of.