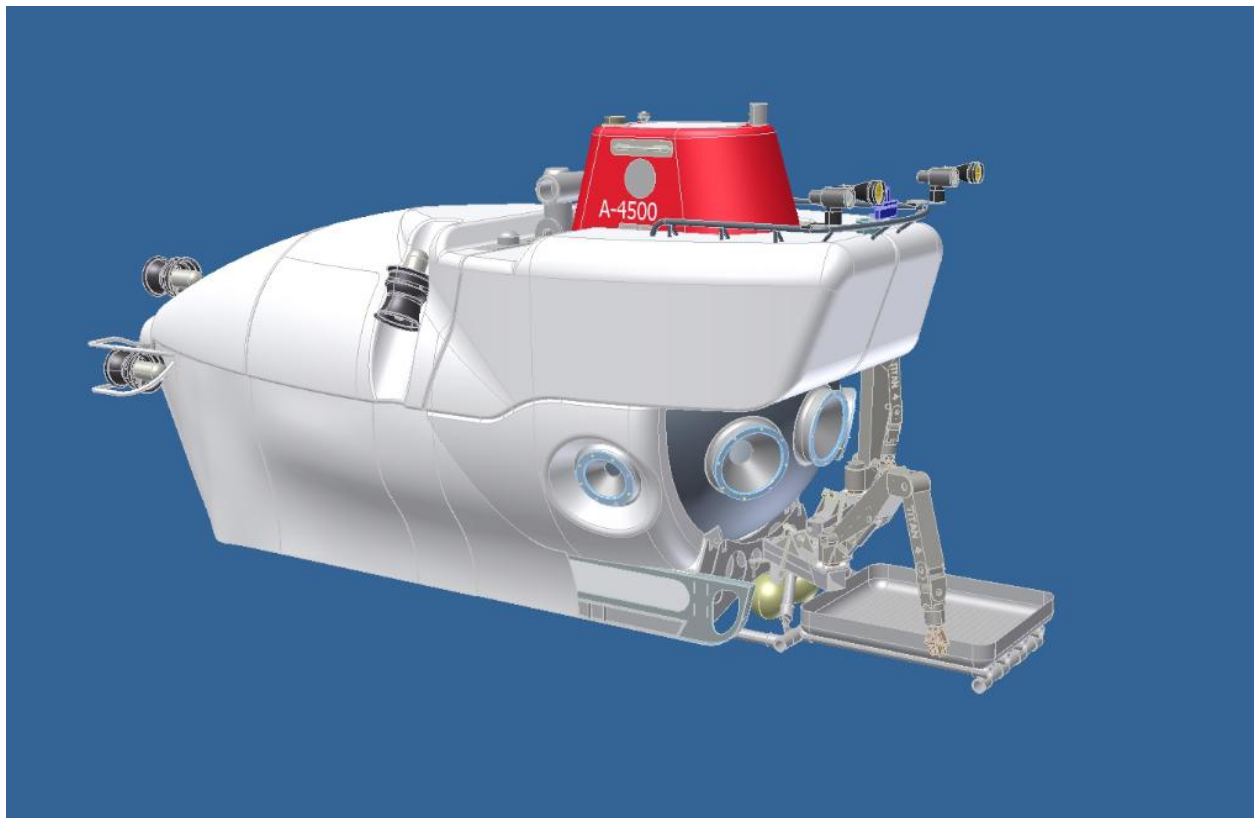


6500m HOV Project Stage 1: A-4500 HOV

Procurement Plan

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**WOODS HOLE OCEANOGRAPHIC INSTITUTION
WOODS HOLE, MA 02543**

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1.0 Introduction

The A-4500 HOV Procurement Plan relies on collaboration between corporate procurement resources at the Woods Hole Oceanographic Institution (WHOI), the A-4500 HOV Project Business Manager, and the A-4500 HOV Project Management Team. This partnership benefits from the combined knowledge and experience of each contributor, who collectively possess over 45 years of deep submergence procurement expertise.

The A-4500 HOV Project Manager is the single point of accountability for accomplishing project objectives. The Project Manager has executive responsibility for project decisions and, in concert with the Business Manager, is expected to promote and oversee continued development of this Procurement Plan.

2.0 Related Documentation

WHOI Procurement Guide

<http://www.whoi.edu/fileserver.do?id=23724&pt=2&p=27766>

WHOI Purchasing Policy (07/01/2009)

<http://www.whoi.edu/procurement/page.do?pid=14515>

WHOI Purchasing Methods (10/09/2008)

<http://www.whoi.edu/procurement/page.do?pid=13781>

Applicable Federal Regulations (10/09/2008)

<http://www.whoi.edu/procurement/page.do?pid=14426>

3.0 Acquisition Program Structure

WHOI receives substantial funding from federal agencies and is therefore obligated to maintain a federally-approved purchasing system. The WHOI Procurement Department is tasked with ensuring purchases meet federal requirements regarding the expenditure of awarded funds. Additionally, the Procurement Department ensures goods and services are obtained in a timely, cost effective manner. Procurement seeks out and adopts current best business practices regarding the acquisition of, and payment for, goods and services. WHOI procures about \$21.5M of material annually and has a well-established base of dependable suppliers. It is anticipated that many of the materials required for this project will be purchased from vendors in this pool.

The A-4500 HOV Project Business Manager is responsible for policy development for and oversight of the project's financial management and business operations. Functions include internal audit, facilities administration, information resources, development and implementation of prudent control practices and recognized management techniques, and establishment of business goals and guiding principles.

With the support of WHOI's Procurement Department and oversight from the Project Management Team, the Business Manager will be responsible for all project procurement tasks, including specification, ordering, receipt, and quality control inspection, the latter in accordance with the A-4500 HOV Project Quality Management Plan.

WHOI Procurement Department policies are found in documents identified in Section 2. These web-based policies and procedures are considered business sensitive information and are available on the WHOI intranet. Soft copies of the documents may be provided as required.

4.0 Acquisition Process

The A-4500 HOV Project acquisition process for products and services will in general follow this sequence:

- Definition of requirements
- RFP/RFQ development (as required)
- Potential vendor evaluation
- Negotiations (as required)
- Procurement approval (as required)
- Purchase.

The acquisition of materials and services for the project will be in accordance with the purchasing procedures and policies of WHOI. Supplier management will be predicated on pre-contract planning, a competitive selection process to obtain the best subcontractors and suppliers possible, use of proven controls and processes to ensure success, and an unwavering commitment to the quality of the final product. Make or buy decisions will be made as the design details are finalized. Vendor selection and monitoring will take place in accordance with standard Institution procedures. Volume purchases will be made and commercial off-the-shelf (COTS) products selected whenever possible to reduce costs.

Procurement of major project items will be subject to conditions and constraints identified in Table 1. The Project Management Team (PMT) will review all orders over \$20,000.

Table 1. Conditions and Constraints for Procurement of Major Project Items

	Competed Purchase	Bid Evaluation	Negotiated Contract	Contract Type
Personnel Sphere	Yes	PMT	Yes	Sole Source Negotiated + Fixed Fee
Penetrators	Yes	PMT	Yes	Cost + Incentive Fee through First Article (CLIN1), Fixed Price + Incentive Fee for CLIN2 (Production)
Syntactic Foam	Yes	PMT	Yes	Cost + Eng + First Article Test
Batteries	No	None	No	Fixed Price, Competed if over \$10K
Ballast Spheres	Yes	PMT	Yes	Fixed Price, Competed if over \$10K
Titanium	Yes	PMT	No	Fixed Price, Competed if over \$10K

Purchases valued at over \$250,000 require a review of the Request for Proposal and final contract by the National Science Foundation (NSF) contracts office.

5.0 Make/Buy Decisions

Following requirement generation, specifications will be written for project subsystems. Make/buy decisions will be made by assessing the requirements with respect to available commercial products. There will be three resulting categories of items:

1. Those which meet the requirements and are available for purchase with an established manufacturer's part number
2. Those which require upgrade of existing products to meet project requirements
3. Those which are not directly available commercially but are within the engineering and manufacturing expertise of WHOI to both design and manufacture in sufficient quantity to support the project.

Make/buy decisions will be necessary for items like the *Alvin* frame modification. In the case of the command & control software, there is no single product or set of products that are available commercially and would constitute a "Command and Control System". Any commercial

procurement would be a development contract, and with the experience and software base available in-house, we have decided to modify the existing code base in the National Deep Submergence Facility to produce a Command and Control system compatible with the new submersible.

6.0 Competition/Bidding

As a recipient of taxpayer monies, it is imperative that Institution procurement activities invite competition wherever possible. The WHOI Purchasing Policy has specific requirements regarding the solicitation of bids. The Procurement Department uses one of these three methods to verify prices:

Telephone Quotations - Telephone quotations may be used for purchases less than \$10,000. A telephone solicitation requires many of the same components as a written solicitation but the actual process is managed over the telephone. The Purchasing Policy requires documentation of telephone solicitations of more than \$5,000. The Procurement Department provides a form for telephone solicitations. The documentation must include:

- The name and telephone number of at least two suppliers contacted
- The name and telephone number of the individual from the supplier making the offer
- Descriptions of the items being quoted including quantities
- Any and all notes made during the conversation with the supplier
- The name, extension and signature of the individual soliciting the quotation.

Written Quotations - The best and most effective way to create competition is to solicit two or more written bids (three bids are preferred but this is not always possible). This method ensures the selected supplier is providing goods and services in the most cost effective manner. Best business practices encourage the use of written competitive bidding at all levels of purchasing but, at WHOI, written quotations are not required unless the value of the purchase is greater than \$10,000 or more. The Procurement Department provides a written quotation form. It is geared toward smaller, less complicated inquiries. The Procurement Department will assist with more complicated issues.

Rules for soliciting written quotations are:

1. Bids should include a written request for proposal or pricing (RFP) from WHOI and a written offer from the suppliers.
2. The offer should include all delivery and installation costs.

3. Delivery should be FOB (Free on Board) WHOI or the point where delivery will occur. This ensures that liability for products does not transfer to WHOI until we receive and accept the goods.
4. Any and all future maintenance costs should be noted.
5. In the RFP, specifications should be as generic as possible. Name brands should not be used; instead, the actual technical specification for the product or service required should be used. Any variation from the specification (substitution) should be noted by the bidder.
6. Warranties should be explained in the text of the offer.
7. Payment terms should be delineated in the offer.
8. All bids should be provided on company letterheads and signed by an appropriate company employee (i.e., able to commit the firm to the offer).

Single or Sole Source Justification - When a purchase order totals more than \$10,000 and competition is not possible, justification of why the single or sole source is being used is required. Sole source procurements are those where no other supplier is available to provide the same or similar product or service required. A single source procurement occurs when there are other suppliers of the same or similar products or services, but the nature of the application dictates the selection of a particular source, regardless of price. Single source procurement is appropriate when:

- Compatibility with accessories, replacement parts or other integrated systems is the paramount consideration
- A specific good or service is required and authorized in a grant or contract to maintain the integrity of the project
- A pre-packaged commodity is procured for resale.

The Sole/Single Source Justification must be completed when processing this kind of procurement. Justification must include what market forces are at play, why the item or service requested is unique, and what effect using an alternate would have on the project or Institution. Using a single or sole source does not preclude responsibility to analyze the offer. Whenever a single or sole source is required, a cost or price analysis is to accompany the justification. The Procurement Department employs techniques to determine the fairness of a price. Techniques for comparing price can also be found in the Federal Acquisition Regulation (FAR).

Table 2 identifies the required quotation method for procurements of various values.

Table 2. Requirements and Levels of Approval for Bids and Quotations

Value	Telephone Quotation	Written Quotation	Sole Source	NSF	FAR Clauses
< \$5,000	OK	OK			Per WHOI Purchasing Procedures
\$5,000 - \$10,000	Must be documented - see WHOI Purchasing Procedures	OK			Per WHOI Purchasing Procedures
\$10,000 - \$100,000	Not allowed	Two or more per WHOI Purchasing Procedures	Justification required per WHOI Purchasing Procedures		Per WHOI Purchasing Procedures
>\$100,000		Two or more per WHOI Purchasing Procedures	Justification Required per WHOI Purchasing Procedures	Article 24 Audits and Records (if other than catalog pricing)	Per WHOI Purchasing Procedures
>\$250,000				NSF Approval	

7.0 Conflict of Interest Strategy

All individuals associated with the Institution are governed by the most current Institution Conflict of Interest Policy. As delineated in the policy, acquisitions from a business in which an employee has an interest is prohibited unless full disclosure of the background facts is presented in writing and subsequently approved by the appropriate officer of the Institution. In cases where a potential conflict exists, it is important to handle transactions competitively and on an arm's length, business-like basis.

Additionally, individuals may neither seek nor accept - directly or indirectly - payments, loan services, travel, gifts or entertainment with a value of more than \$100.00 from any supplier or company with which the Institution conducts or may conduct business. If an employee is

approached by a supplier in an unethical manner, the employee is required to report the incident to the Procurement Department.

8.0 Purchasing System Reviews

To provide adequate oversight and control of A-4500 HOV Project purchasing related processes, the Project Management Team (PMT) will conduct regular reviews/audits of the purchasing system. The PMT will conduct Purchasing System Reviews (PSR) for evaluation of purchasing decisions, including make or buy decisions. The objectives of these on-site reviews are to provide:

- A basis for the PMT to review the procurement system
- A means of evaluating the efficiency and effectiveness by which the project spends Government funds
- Useful information regarding the purchasing system as used in source selection
- An independent review of the procurement system to optimize its effectiveness in compliance with Government policy.

Weaknesses discovered in purchasing areas will be documented with corrective actions requested, if needed. The results of these purchasing process reviews and corrective actions will be documented in monthly progress reports.

9.0 Purchasing Procedure Evaluations

Purchasing procedures shall ensure that products purchased satisfy science requirements, design criteria and the operational needs of the integrated system. Purchasing lead times will be evaluated in terms of defined integrated master schedule milestones. During routine evaluations of the purchasing processes, the PMT will evaluate the following purchasing activities to ensure their implementation:

- Timely, effective and accurate identification of requirements in purchased product specifications
- Costs of purchased products evaluated with consideration of performance, price and delivery schedules
- Evaluation of criteria for verification of purchased products
- Evaluation of any unique supplier processes
- Evaluation of subcontractor/supplier contract administration requirements
- Supplier return and replacement procedures for nonconforming products

- Supplier warranty arrangements for nonconforming products
- Evaluation of logistics requirements
- Evaluation of supplier product identification and traceability
- Preservation, packaging and packing capabilities
- Evaluation of supplier documentation capabilities, including records of inspections and tests performed
- Evaluation of supplier control of products that deviate from requirements
- Evaluation of suppliers to allow access to their facilities for inspection and acceptance other Quality Assurance purposes
- Evaluation of supplier quality history of similar items along with their installation, or application history
- Evaluation of the identification of and mitigation of risks associated with supplier products and services.