

Project Name:	Department of Energy BMIS-FM
Project Number:	BMIS-FM Phase I
DOE Project Mgr:	Michael Fraser
IBM Project Mgr:	Don A. Cox, PMP



PROJECT PROCUREMENT MANAGEMENT PLAN for

Department of Energy BMIS-FM Project

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Approvals

The following people have approved this document. (Sign below name)

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This document has been distributed to:

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Procurement Management Plan

1. Objectives

- 1.1. The purpose of this plan is to document and describe how procurement processes for the Department of Energy (DOE) BMIS-FM project will be managed.

2. Types of Contracts Used

2.1. Prime Contractor

IBM is the Prime Contractor with the DOE for the BMIS-FM Project. As such IBM is responsible for delivering a Core Financial System to DOE's Capitol Center, Albuquerque NM, and Oak Ridge TN Financial Service Centers, Program Offices, Satellite Offices, Headquarters, and CR-40 Offices based on the Federal Financials module of Oracle's suite of ERP application products.

2.2. IBM Agreement with the DOE by Performance Objective

In its Statement of Work dated May 5, 2000, the DOE defined the BMIS-FM project in terms of a number of Performance Objectives. The performance of the BMIS-FM Project, and the contractual management of the project, has been structured around these Performance Objectives. Each Performance Objective is uniquely identified as either Firm Fixed Price (FFP) or Not-to-Exceed Time and Materials (NTE T&M). The Performance Objectives and their contractual definition is as follows:

- 2.2.1. Performance Objective A1, System Design: FFP
- 2.2.2. Performance Objective A2, System Implementation: NTE T&M
- 2.2.3. Performance Objective A3, Performance Measurements: FFP
- 2.2.4. Performance Objective B1, Hardware, Software, and Support:
 - 2.2.4.1. B1A: Hardware and Software: FFP
 - 2.2.4.2. B1B: Support: NTE T&M
- 2.2.5. Performance Objective B2, Training: FFP
- 2.2.6. Performance Objective B3, SGL Support: NTE T&M
- 2.2.7. Performance Objective T1, Testing: NTE T&M
- 2.2.8. Performance Objective D3, Deliverables: FFP

2.3. IBM Agreement with the DOE by Base Contract and Options

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In its Statement of Work dated May 5, 2000, the DOE further defined the BMIS-FM project in terms of a Base Contract and a number of options. This definition is consistent with the Federal Government's practice of funding department activities on a fiscal year basis. Therefore the base contract addresses planned BMIS-FM project activities in the first year of the project, option 1 addresses the second year, and so on. The scope of the base year contract and all identified options, as well as associated Performance Objectives, follows:

- 2.3.1. Base (Yr. 1): Design of the Federal Financials application, and implementation of that application at the Capitol Financial Service Center Cluster and other types of offices as listed in section 2.1. Includes Performance Objectives A1, A2, B1, B2, B3, T1, and D3.
- 2.3.2. Option 1 (Yr. 2): Implementation of the Federal Financials application at the Albuquerque, NM and Oak Ridge, TN Service Center Clusters and other types of offices as listed in section 2.1. Includes Performance Objectives A2, B1, B2, B3, T1, and D3.
- 2.3.3. Options 2, 3, and 4 (Yrs. 2, 3, 4): Operation and Maintenance Support of the implemented system. Includes Performance Objective B1.

2.4. IBM Subcontractor Agreements

As Prime Contractor for the BMIS-FM Project, IBM has established partnerships with a number of companies to deliver a comprehensive solution to the DOE. Each partner will have a subcontractor relationship with IBM.

2.4.1. IBM Partners on the BMIS-FM project include:

- 2.4.1.1. Oracle Corporation will provide expertise in the design, configuration, and implementation of the Federal Financials application.
- 2.4.1.2. SAIC Inc. will provide expertise in Program Management, user training, and knowledge of the DOE organization and business processes.
- 2.4.1.3. Arthur Anderson will provide expertise in federal accounting best practices, cultural change management, and business process reengineering.
- 2.4.1.4. BCS Inc. will provide expertise in DOE hardware and software infrastructure, networking, and IT architecture.
- 2.4.1.5. IBM will also contract with suppliers such as TRESP, FMSI, and NexGen to provide technical resources as required to support the project.



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- 2.4.2. Contractually, IBM has established Time & Materials agreements with each of its subcontractors. This approach is appropriate because IBM's Method BLUE is the methodology employed to execute the project, IBM plays a key role in managing the activities of subcontractor resources, and IBM resources actively participate with subcontractor resources in completing most of the contract deliverables. However, as a result of this approach, IBM assumes virtually all of the financial risk associated with the project. The nature of IBM's agreements with its subcontractors is discussed further in Section 5, "Services Purchasing Processes".
- 2.5. Warranty Agreements, maintenance or service agreements are not considered to be in the scope of this document. Such issues are addressed in the detailed terms and conditions of IBM's agreement with its subcontractors and the DOE.

3. Procurement Responsibilities

- 3.1. The DOE project manager is ultimately responsible for the procurement of goods or services related to the DOE Task Order.
- 3.2. Within Team IBM, the IBM project manager must approve the procurement of any goods or services in conjunction with delivery of Task Order objectives in support of Team IBM's efforts. The DOE project manager reserves the right of refusal.
- 3.3. The IBM business manager will initiate the procurement of goods and services using processes established by IBM's Federal Division. For services, the business manager will document a clear statement of work describing the scope of services to be delivered.
- 3.4. IBM Federal Division procurement staff will establish required contracts and execute the procurement for any necessary sub-contracts to support the overall task order.

4. Goods Purchasing Processes and Limits

There are limited circumstances under which goods are expected to be purchased in support of the BMIS-FM project. However, because IBM's agreement with the DOE stipulates that there will be no Government Furnished Equipment, and because IBM is supplying the DOE with equipment as part of the project, there are instances when the purchase of certain goods will be required. They include the following:

- 4.1. Purchase of equipment for delivery to the DOE as stipulated by contract. In this case, IBM will procure such equipment through the processes established by its Federal Division. IBM's business manager on the BMIS-FM project will manage



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this process and be the single point of contact with IBM's procurement staff. The process for this type of procurement is as follows:

- 4.1.1. Need for equipment identified by the DOE project manager.
- 4.1.2. The DOE project manager notifies the IBM project manager and business manager.
- 4.1.3. The IBM business manager verifies that the needed equipment is included in the existing contract (if not, the IBM/DOE Change Management Process is invoked).
- 4.1.4. The IBM business manager initiates the purchase with IBM Procurement staff and coordinates delivery.
- 4.2. Purchase of computer equipment, peripherals, office supplies, and incidentals for IBM resources on the BMIS-FM team.
 - 4.2.1. For purchases under \$500 (for example, computer peripherals, laptop upgrades, ancillary equipment, and supplies), each IBM resource will be responsible for procuring the required goods. The purchaser's home division will be responsible for reimbursing the individual.
 - 4.2.2. For purchases over \$500 (for example, workstations, servers, and projectors), IBM will procure the required goods through the processes established by its Federal Division. IBM's business manager on the BMIS-FM project will manage this process and be the single point of contact with the IBM resources on the BMIS-FM team and IBM's procurement staff. The process for such purchases is as follows:
 - 4.2.2.1. Need for equipment identified by an IBM resource.
 - 4.2.2.2. The IBM resource notifies the IBM project manager and business manager.
 - 4.2.2.3. The purchase is either approved or disapproved by the IBM project manager and business manager.
 - 4.2.2.4. The IBM business manager initiates the purchase with IBM Procurement staff and coordinates delivery.
- 4.3. Purchase of computer equipment, peripherals, office supplies, and incidentals for subcontractor resources on the BMIS-FM team. Each subcontractor resource on the BMIS-FM team will be responsible for procuring any required goods. IBM will not reimburse the subcontracting organization, or the individual, for such purchases.
- 4.4. Purchase of goods by subcontractors for delivery to the DOE. No significant purchases of this type are expected on the BMIS-FM project.



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5. Services Purchasing Processes

In general, IBM Federal Division Procurement establishes an agreement for services with the service provider (referred to as a “Technical Services Master Agreement”). The IBM business manager documents a Release Order in the form of a Statement of Work that authorizes the service provider to perform specific tasks against the Master Agreement based on the availability of funding from the DOE. A detailed description of applicable processes follow.

5.1. IBM Subcontractors with Existing Technical Services Master Agreements:

- 5.1.1. Additional scope (including any associated deliverables) is identified and documented by any project team member or stakeholder.
- 5.1.2. The IBM project manager reviews the scope definition, identifies it as either part of IBM’s existing scope of work with DOE or as new scope. (In the latter case, the IBM/DOE Change Control Process is invoked).
- 5.1.3. In either case (in scope or out of scope), if the IBM project manager approves the additional work for the service provider, the IBM business manager documents a Release Order.
- 5.1.4. The IBM business manager delivers the Release Order to IBM Federal Division Procurement staff for processing.
- 5.1.5. The IBM Federal Division Procurement staff amends the existing contract to include the authorized scope of work.

5.2. IBM Subcontractors Requiring a Technical Services Master Agreement

- 5.2.1. Additional scope (including any associated deliverables) is identified and documented by any project team member or stakeholder.
- 5.2.2. The IBM project manager reviews the scope definition, identifies it as either part of IBM’s existing scope of work with DOE or as new scope. (In the latter case, the IBM/DOE Change Control Process is invoked).
- 5.2.3. In either case (in scope or out of scope), if the IBM project manager approves the additional work for the service provider, the IBM business manager initiates a request with IBM Federal Division Procurement staff to establish the required agreement with the service provider.
 - 5.2.3.1. IBM Federal Division Procurement staff will establish a “sole source” general services agreement with the service provider in the case where the new service provider is already identified.

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The IBM business manager will document a formal Statement of Work in support of the contracting process.

5.2.3.2. If more than one company offers comparable services, it is expected that the IBM Federal Division Procurement staff will perform a source selection process, with the support of BMIS-FM project team members that will include at least 2 bidders, although every effort will be made to select from a minimum of three. (Refer to Section 7, "Processes for Solicitation).

5.2.4. Upon establishment of a Technical Services Master Agreement with the selected service provider, the IBM business manager delivers the Release Order to IBM Federal Division Procurement staff for processing.

5.2.5. The IBM Federal Division Procurement staff amends the existing contract to include the authorized scope of work.

6. Processes for Managing Service Providers

- 6.1. The executive sponsor and project manager must have a clear understanding of the service provider expectations as documented and agreed to in IBM's contract with the service provider, as well as associated Statements of Work and Release Orders.
- 6.2. Service providers must document weekly progress against weekly goals and provide this documentation to the project manager the following Monday, no later than noon, unless this is a holiday. If so, the progress report is due by Tuesday morning, no later than noon.
- 6.3. Service providers must document weekly billable hours against assigned tasks as defined in the project plan developed by the IBM project manager and provide this documentation to the project manager the following Monday, no later than noon, unless this is a holiday. If so, the progress report is due by Tuesday morning, no later than noon.
- 6.4. Any issue(s) that the service provider encounters must immediately be brought to the attention of the team lead and/or project manager in writing.
- 6.5. In the event a service provider is not meeting their documented expectations, such deficiencies should be documented and escalated to the project manager and if necessary, the executive sponsor, for corrective action.

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7. Processes for Solicitation

In general, the solicitation processes established by the IBM Federal Division will be employed on the BMIS-FM project. Solicitation may be initiated and supported by the BMIS-FM project team, but will be performed by IBM Federal Division procurement staff. The following solicitation processes will be integrated with (and are largely consistent with), IBM Federal Division procurement practices.

7.1. Procurement Documents

- 7.1.1. Determine the characteristics for the product or service that will be procured by preparing documents needed to support solicitation. A Statement of Work (SOW) is a standard deliverable that will be used to define a specific product or service. If needed, a Statement of Requirements (SOR) will be produced to define a specific problem to be solved.
- 7.1.2. If selection criteria are driven by price, a “bid” or “quotation” from prospective sellers will be requested. If selection criteria are driven by other non-financial considerations, a “proposal” will be requested.

7.2. Evaluation Criteria

- 7.2.1. Determining the method that will be used to “score” proposals or bids.
 - 7.2.1.1. In many cases, the resource price (i.e. hourly rate) will be the sole means of determining who will be awarded the contract.
 - 7.2.1.2. Specific contractors should be interviewed for competency, experience, and the ability to work within the framework of the project team. The IBM project manager will coordinate the interview of prospective contractors.
- 7.2.2. Statement of Work Updates
 - 7.2.2.1. During the process of Solicitation, the SOW or SOR may be refined if necessary.

7.3. Solicitation

- 7.3.1. Qualified Contractor List. Identify qualified (or approved) contractors. This may be a list of vendors with which IBM or its subcontractors, or DOE, have had previous a working relationship.
- 7.3.2. Bidder Conference. Meetings held to ensure that all contractors understand the requirements of the SOW or SOR. These will be scheduled if necessary.

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- 7.3.3. Proposals. Prepared by the potential contractors. All proposals must document their ability to meet the requirements of the SOW or SOR.

7.4. Source Selection

- 7.4.1. Proposals. The IBM Project manager or designee will review all proposals received prior to the published deadline.
- 7.4.2. Evaluation Criteria. The IBM Project manager or designee will score the proposals received from contractors using the criteria defined during the procurement documentation process.
- 7.4.3. Organizational Policies. Organizational policies will be reviewed as they may have an impact on the evaluation/award of proposals
- 7.4.4. Contract Negotiation. IBM Federal Division procurement staff conducts contract negotiation with the support of the IBM project manager and business manager.
- 7.4.5. Weighting System. The method used for quantifying qualitative data to minimize the potential for prejudices. This process may not be used for every contract selection process for this project.
- 7.4.6. Screening System. The IBM project manager or project sponsor will establish minimum requirements to screen out prospects without going through the entire process.
- 7.4.7. Independent Estimates. May be prepared by the project manager, project sponsor, or procurement staff to use as a checkpoint on proposed pricing. Significant differences may indicate that the SOW or SOR was unclear to some bidders.

7.5. Contract

- 7.5.1. Contracts will be executed per the processes established by IBM Federal Division Procurement, and consistent with the process described in Section 5, "Services Purchasing Processes".

8. Processes for Administration of Contracts

The following process will assist the project team in ensuring that the contractor's performance is as expected and payment of the contractor's service is authorized and paid per the requirements set forth in the contract.

- 8.1. Contracts and Contract Documentation.
- 8.1.1. The IBM business manager will keep copies all active contracts, including Technical Services Master Agreements, Statements of Work,

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and Release Orders, in a folder (may be electronic) as they may frequently be reviewed.

- 8.1.2. Formal signed original documents (will be retained by the IBM Federal Division Procurement organization).
- 8.1.3. Work Results - Expected deliverables, schedule, and quality standards.
- 8.1.4. Change Requests - Change orders or contract amendments.
- 8.1.5. Seller Invoices - Ensuring invoices are processed and submitted as defined in the contract.
- 8.2. Contract Change Control System - Refer to *Procurement Change Control Process* (Section 9.0 of this document).
- 8.3. Performance Reporting - Performance documented by the seller reflecting progress towards the contractual obligations.
- 8.4. Time Reporting – The seller will document billable labor hours to the IBM business manager on a weekly basis.
- 8.5. Payment System
 - 8.5.1. Supplier invoice submission and payment processes are established and managed by the IBM Finance organization.
 - 8.5.2. Suppliers will submit invoices to IBM on a monthly basis.
 - 8.5.3. If not supported by EDI, suppliers will provide paper copies of invoices to the IBM business manager including either service hours by resource by week for the invoicing period or an itemized list of products delivered.
 - 8.5.4. The IBM business manager will approve payment of all supplier invoices. Approval will be based on receipt of verifiable timesheets (billable labor reports) and performance reports.
 - 8.5.5. If the IBM business manager does not approve payment, a written explanation will be provided to the supplier, and the business manager will issue a stop payment order to IBM Accounts Payable.
 - 8.5.6. Upon approval, IBM will make payment to the supplier against the invoice.

9. Procurement Change Control Processes

- 9.1. All Procurement Change(s) related to procurement of goods or services by IBM as related to the BMIS-FM project, or any changes to this document must go through the following procedure:

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- 9.1.1. Identify and assess the change.
- 9.1.2. Fill out a “*Change Request Form*” and submit the “*Change Request Form*” along with required supporting documentation to the Team IBM project manager.
- 9.1.3. The Team IBM project manager will review the change request and may possibly request additional documentation.
- 9.1.4. Using the “*Change Request Form*”, the Team IBM project manager will mark the change as:
 - 9.1.4.1. Approved, in which case both project managers will check the approved box, sign off on the change request and the Team IBM project manager will incorporate the change and adjust other project planning factors as necessary.
 - 9.1.4.2. Approved pending additional supporting documentation, in which case the Team IBM project manager will check the approved / pending box, sign off on the change request and the Team IBM project manager will specify and coordinate gathering of the required documentation, incorporate the change and adjust other project planning factors as necessary.
 - 9.1.4.3. Denied, in which case the Team IBM project manager will check the denied box, sign off on the change request and the Team IBM project manager will notify the requestor of the status and reason for denial.
- 9.1.5. The Team IBM project manager will document the Change Request outcome as necessary.

10. Associated Documents

- 10.1. Technical Services Master Agreement
- 10.2. Statement of Work
- 10.3. Release Order
- 10.4. Statement of Requirements
- 10.5. Performance Reports
- 10.6. Timesheets/Billable Labor Reports
- 10.7. Project Schedule and Budget
- 10.8. Status Reports

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10.9. Change Control Form