

SPO-100 Competitive Sealed Bidding Method of Procurement Module 1 Transcript

Slide #	Audio
1.	<p>Aloha! This course is designed for executive branch departments and agencies conducting a solicitation utilizing the Competitive Sealed Bidding method of procurement, pursuant to Hawaii Revised Statutes 103D-302 and Hawaii Administrative Rules 3-122, Subchapter 5. Chief Procurement Officers of other jurisdictions may impose additional policies and procedures. Before we get started on the first of three modules for this course, there are a few things you need to know.</p> <p>Click the NEXT button to learn more.</p>
2.	<p>This course provides general navigation functions. Use the Topics menu to jump to a specific topic in this course. Use the arrow buttons to play, pause, replay, or move backward and forward within a section. Use the Glossary menu to familiarize yourself with definitions and acronyms. Use the References menu to access the documents and websites referenced in this course. Use the Transcript menu to view the audio narration transcript.</p>
3.	<p>Pursuant to rules, statutes, procurement circulars, and regulations, you must complete training prior to conducting or participating in procurement activities to ensure you receive the appropriate foundation to fulfill your responsibilities.</p> <p>In addition to obtaining written procurement delegation – pursuant to <i>Procurement Delegation Memo 2010-01</i> and <i>2010-02</i>, or as amended – you’re required to complete SPO 001, SPO 005, SPO 127, and SPO 150 training. If you will be procuring for construction, you must also complete SPO 130, and SPO 185 training.</p> <p>Before conducting competitive sealed bidding on the electronic procurement system, you must also complete electronic procurement buyer training.</p>
4.	<p>In this module, you will learn how to:</p> <ul style="list-style-type: none"> • Describe the Competitive Sealed Bidding method and when it is used; • Apply the rules, regulations, and statutes for competitive sealed bidding; and • Identify procurement needs when developing solicitations.
5.	<p>For Module 1 of this course, you will learn what defines the Competitive Sealed Bidding method and when to use it. Next, you’ll focus on building an acquisition strategy, which helps you get set up for developing your solicitation. Then, you’ll examine the specifications and contract types that can be used in the Competitive Sealed Bidding procurement process. Finally, you’ll learn about some considerations and preferences when using the Competitive Sealed Bidding method.</p> <p>Click the NEXT button to get started.</p>
6.	<p>Competitive Sealed Bidding Method – Learn what defines the Competitive Sealed Bidding method and when to use it.</p>
7.	<p>There are several methods of procurement, each with specific procedures and conditions that must be met. In the event that a procurement falls under more than one method, it is best to use the method that is the most competitive. The focus of this course is the Competitive Sealed Bidding method.</p> <p>This procurement method is used when there are minimum specifications and the scope of work is definable. The contract must be awarded to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the invitation for bids.</p>
8.	<p>Public procurements are governed by the statutes (HRS) and the administrative rules (HAR). These statutes set the foundation and provide the procurement authority, while the administrative rules establish the procedures. Any procurement that you conduct shall be in accordance with the statutes, rules, and policies.</p> <p>The statute that governs competitive sealed bidding is HRS 103D-302. Administrative rules for competitive sealed bidding are defined in HAR Chapter 3-122, Subchapter 5.</p>

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	<p>Additional policies, procedures, and instructions are issued by the Administrator of the State Procurement Office via procurement circulars and directives on the Hawaii SPO website.</p> <p>Take a few minutes to review these regulations by clicking each reference and reading through the information.</p>
9.	<p>For a Competitive Sealed Bid, the Invitation for Bids (or IFB) must be used to initiate the procurement.</p> <p>The IFB is a solicitation for goods, services, or construction that identifies your agency’s needs and spells out the specifications and requirements that bidders must submit to be considered for the award of the procurement. We will review IFB considerations later in this module and identify what goes into an IFB in Module 2.</p> <p>After bids are received, they are reviewed, and the award is made based on the lowest responsive, responsible bidder.</p>
10.	<p>Acquisition Strategy – Learn how to develop an acquisition strategy.</p>
11.	<p>Prior to a solicitation, your procurement team will make decisions that drive the effective execution and management of the procurement.</p> <p>Some key topics that may be discussed include: project scope, project specifications, project deliverables, critical business requirements, method of procurement, contract type, estimated schedule, estimated costs and budget, anticipated benefits, performance measures, alternatives, key considerations, constraints and risks, team assignments, and procurement deadlines.</p> <p>In this course, we will address some of these topics in detail and touch on other topics when we discuss the parts of an IFB.</p>
12.	<p>It is important to fully understand the scope of your procurement before you solicit it by defining the detailed features, functions, and requirements of the desired good, service, or construction.</p> <p>Take time to gather information before putting together your IFB. Be sure to consult with stakeholders and review historical purchases.</p> <p>Having a clearly defined scope of work up front may reduce the potential for change orders, defects, vendor disputes, and project delays.</p>
13.	<p>Along with defining the scope, be sure to discuss essential functions of the needed good, service, or construction with stakeholders to ensure you fully understand the requirements of the procurement when conducting market analysis.</p> <p>During this discussion, consider asking questions like:</p> <ul style="list-style-type: none"> • Why is the good, service, or construction needed? • Who or what business area is impacted? • What key functions must be met? • What factors impact this purchase? • What is the estimated or approved budget? • When is the good, service, or construction needed? • Where will goods be delivered? • Where will services or construction be performed? • How must services be provided? • What key approvals are necessary and who must provide them? • What specific quality or quantity needs must be considered?

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	<p>These types of questions can also help you identify the types of specifications and determine the types of contracts you should consider. Let's take a look at those now.</p>
14.	<p>Specification and Contract Types – Learn about the types of specifications needed and what contract types to use.</p>
15.	<p>Your IFB should contain detailed specifications about the end-user requirements of the product or service to get the result you desire. These specifications can identify performance, quality, and operational characteristics.</p> <p>In compliance with HRS 103D-405 and HAR 3-122-10, be sure that when you identify these specifications you are not being too restrictive, thereby limiting a fair and equal opportunity for all bidders. This allows suppliers and service providers to compare their product or service against your requirements and offer bids on a comparable or equal basis, maximizing the competition.</p>
16.	<p>Click each specification type to learn more.</p>
17.	<p>Design specifications identify dimensional and other physical requirements of the item being purchased that explain how the product is to be fabricated or constructed. For example, if you needed a conference table, you would describe the size, shape, and the type of material used to construct it.</p>
18.	<p>Performance specifications identify the functional or performance requirements of an item, what the item does, and how well it performs. For example, if you need to purchase a copier, you would describe what capabilities the copier should include, such as copies-per-minute, color or black and white, and the need for scanning capability.</p>
19.	<p>Brand name or equal specifications identify one or more manufacturer's names or catalogue numbers to describe the standard of quality, performance, and other characteristics needed to meet the requirements. For example, if you are purchasing a pickup truck, you could name Ford F150 or equal and list minimum specifications. This way, if a bidder wanted to bid another brand, they could as long as it met the minimum specifications.</p>
20.	<p>Qualified Products List (QPL) or state pre-approved specifications identify an approved list of goods, services, or construction items described by model or catalogue number. For example, you name a specific brand that the agency has determined meets the minimum requirements for a cleaning solution. Your IFB would name Clorox as the brand name on the QPL. If a bidder has a product that can meet the minimum specification by offering another brand name product, they would do so before the due date of the bid submittal. The agency would review the alternate product and, if the product meets the required specification, the agency would add that product to the QPL through an addendum. Unlike brand name or equal specification where the product is reviewed after prices are received, QPL specifications require the product to be reviewed prior to receiving prices.</p>
21.	<p>Now that you know a little more about specifications types, let's see if you can determine which types are being used in this scenario.</p>
22.	<p>Even though there are different types of contracts, only fixed-price contracts can be used in Competitive Sealed Bidding.</p>
23.	<p>Let's look at some variations of fixed-price contracts. Click each variation to learn about these fixed-price contracts.</p> <p>For each description, you can click the document icon to see a sample contract.</p>
24.	<p>Contracts with a firm, fixed price are not subject to price adjustments. The responsibility is placed on the contractor for the delivery of goods, services, or construction in accordance with the contract terms at the original set price.</p> <p>Examples include buying vehicles, laboratory refrigerators, or computers.</p>
25.	<p>For this type of contract, fixed prices may be adjusted (as an increase or a decrease) under special conditions defined in the contract, such as labor rates or manufacturer material rates related to the market. When using this type of contract, you will need to add a price adjustment clause or provision in your solicitation.</p>

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	<p>One example of this type of contract involves purchasing fencing material. Quite often, the price of steel used in the posts and wire mesh will fluctuate with the market. The vendor has no control over this, so the agreed-upon price should allow for fair market adjustment.</p> <p>Another example involves labor rates for services when the contract duration is more than one year or if there are multi-year extensions available.</p>
26.	<p>For this type of contract, the specified quantity of goods or services are delivered at specified times or when ordered. You could use this type of contract when you know the exact amount of goods or services you will need.</p> <p>Examples include ordering disability placards or decals, fleet vehicles, or office desks and chairs.</p>
27.	<p>For this type of contract, an indefinite amount of goods or services are purchased at fixed prices and furnished at specified times, or as ordered during the term of the contract. This is also referred to as a Requirements contract when a purchasing agency is obligated to order all the requirements for a specified period of time.</p> <p>When you don't know the total amount that will be purchased for a period, you still need to provide an estimate in the contract. This estimate could be based on prior sales reports.</p> <p>Examples of these types of purchases include recycled office paper or ammunition.</p>
28.	<p>For this type of contract, fixed prices are used to purchase unknown quantities for one or more similar goods or services from more than one bidder. These contracts use price or vendor lists based on Indefinite Quantity contracts.</p> <p>An example of this type of contract could be disposable polyethylene bags. You may purchase the same goods from different companies.</p>
29.	<p>For this type of contract, goods or services are purchased at fixed prices over more than one fiscal period. The objective of the multi-term contract is to encourage effective competition or otherwise promote economies in the procurement of goods and services. These contracts need approval from the Head of the Purchasing Agency (or HOPA).</p> <p>It's important to remember that even though the contract may be for multiple years, funds only need to be available for the initial fiscal period. Then, when more funds become available, you can carry out the remaining part of the multi-term contract.</p> <p>An example would be a student bus transportation contract. There would be high start-up costs that would be incurred for buses and other equipment. However, equipment would have useful life in multiple years.</p>
30.	<p>Now that you know a little more about fixed-price contract types, let's see if you can determine which type to use for this scenario.</p>
31.	<p>IFB Considerations – Learn about the considerations to include in an IFB.</p>
32.	<p>Before you construct your IFB, you will want to determine what considerations should be included. Click each consideration to learn about IFB development.</p>
33.	<p>Bid security is a form of risk insurance that protects you from vendors not fulfilling their responsibilities. Bid bonds are often used in the construction field to make sure that vendors follow bid requirements, and specifications deter them from providing frivolous bids.</p> <p>Bid bonds must be equal to at least 5 percent of the base bid.</p> <p>While bid security is optional for goods and services, to comply with HRS 103D-323, bid security is required for construction bids over \$25,000. Bid security may be required for some federal funded contracts.</p>

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	<p>Bid security is provided at the time the bid is submitted. If a bidder fails to provide the required bid security, the bid is deemed non-responsive, unless otherwise determined by the Chief Procurement Officer and the HOPA to be non-substantial.</p>
34.	<p>Performance bonds protect you against the loss of money when a contractor defaults on a contract, requiring the contractor to give up the performance bond. Payment bonds guarantee that the contractor or general contractor pays their subcontractors in a timely manner to do the work, thereby protecting the subcontractors.</p> <p>To comply with HRS 103D-324, both types of bonds are required for construction bids over \$25,000 and must be equal to 100 percent of the contract price.</p>
35.	<p>You may want to meet with vendors prior to the closing of the IFB to discuss your purchasing needs, specifications, and scope of work. You could also have the property and location of the service viewed so that vendors can give more accurate, competitive prices in their bids. For example, vendors providing landscaping irrigation would want to see the condition of the grass before determining their prices.</p> <p>While it is helpful, vendors are not required to attend the meeting in order to submit bids.</p> <p>To comply with HRS 103D-303.5, you are required to hold these pre-bid conferences for construction bids over \$500,000 at least 15 days prior to submission of bids. Also, keep in mind that any changes or clarifications to the solicitation that are determined during these meetings must be documented in writing in a formal addendum.</p> <p>The pre-bid conference must be announced to all prospective bidders in the public notice and in the solicitation. If the decision to hold a pre-bid conference is made after posting the solicitation, the conference must be announced in an addendum.</p>
36.	<p>There may be times you want to know who is interested in bidding on your IFB.</p> <p>When this is the case, make sure it's clear in your solicitation that vendors must submit their Notice of Intent to Offer at least 10 calendar days prior to the deadline for the receipt of offer. Also, be sure that it is clear to whom, when, and where vendors should send their responses.</p> <p>Per HAR 3-122-111, you have the option to include a requirement in your solicitation for bidders to submit a Notice of Intent to Offer. Unless you make it a requirement, a vendor can still submit a bid, even if that vendor did not respond to the notice.</p>
37.	<p>To promote as much competition as possible and be as transparent as possible, you will want to post a public notice about your IFB.</p> <p>To comply with HAR 3-122-16.03, you must publicize your IFB statewide and countywide.</p> <p>At a minimum you must post it on an electronic procurement system or a publicly accessible website.</p> <p>You have the option to also post it at other places, such as the newspaper, if you are willing to incur the additional costs.</p>
38.	<p>See if you can determine which items are required for this scenario.</p>
39.	<p>Preferences – Learn about some common preferences and why they are used.</p>
40.	<p>There are several preferences that apply to the IFB and its award process. These preferences are defined by existing laws, not by your agency's likes or dislikes.</p> <p>When reviewing bids to determine the award, these preferences are given extra weight.</p>

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	<p>There are eight preferences that may impact your Competitive Sealed Bidding procurement. It is important to review these preferences to ensure the applicable ones are identified in your IFB and used during the award process.</p> <p>For each preference, be sure to review the appropriate Hawaii statutes and rules associated with them to ensure you fully understand the requirements for each preference.</p>
41.	<p>Let's look at the preferences in a little more detail. Click each preference to learn what it is and why it's important.</p>
42.	<p>This preference is in place to promote the use of Hawaii products registered and located on SPO's website under Hawaii Product Preferences.</p> <p>To comply with HRS 103D-1002 and HAR 3-124, Subchapter 1, when you develop your IFB, you need to identify products that will be given preference from the Hawaii Products List.</p> <p>When bids are received, Hawaii products will be designated as class 1 or class 2 depending on the type of product.</p> <p>During the evaluation process, this preference law allows you to favor products made in Hawaii.</p> <ul style="list-style-type: none"> • Class 1 products get a 10 percent price decrease. • Class 2 products get a 15 percent price decrease. <p>Keep in mind that a product is considered non-Hawaiian if it is not on the registered list, even if it is still made in Hawaii. You should always review this list of registered products when developing your IFB.</p> <p>There are two ways of applying for Hawaii Product Preference. The first way is in response to an IFB. The second is to submit the application to the SPO.</p>
43.	<p>This preference should be considered when soliciting for printing, binding, and stationery services.</p> <p>To comply with HRS 103D-1003 and HAR 3-124, Subchapter 2, when you develop your IFB, you need to identify the printing, binding, and stationery services that will be given preference and, therefore, that require bidders to identify where each part of the work will be performed.</p> <p>When bids are received, offers will have identified the work that is to be performed in-state and that which will be performed out-of-state.</p> <p>Then, during the evaluation process, this preference law allows you to favor the work performed in Hawaii by increasing all identified out-of-state work by 15 percent.</p>
44.	<p>This preference is rarely used but considers other states' preferences against Hawaii's preferences when evaluating bids. For example, let's say your IFB has a tax preference. Hawaii has a General Excise Tax of 4 percent; but, a bidder in another state has a 2 percent tax. The tax difference would be adjusted for that bidder's price to even out the competition with those bidding in Hawaii.</p> <p>To comply with HRS 103D-1004 and HAR 3-124, Subchapter 3, when your Chief Procurement Officer determines this preference will be used, your IFB needs to indicate that this preference will be taken into consideration.</p> <p>Bidders should take this preference into consideration when they submit their prices because the contract amount will be the price they bid if they are awarded.</p>

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	<p>Even though the contract amount will not change, before making an award determination, you will need to adjust prices for this preference for all applicable bidders to ensure fair competition during the evaluation process for Hawaii bidders.</p>
<p>45.</p>	<p>This preference is in place to promote the use of recycled products, which is mandatory for state agencies.</p> <p>To comply with HRS 103D-1005 and HAR 3-124, Subchapter 4, when you develop your IFB, you need to identify when the use of recycled products is required or preferred, and the percentage of recycled content required to qualify for the preference while still maintaining quality.</p> <p>When bids are received, they should include these percentages along with SPO Form 8, <i>Certification of Recycled Content</i>.</p> <p>When evaluating bids that contain both recycled and non-recycled products, the price of the recycled products should be decreased by at least 5 percent before comparing final prices.</p>
<p>46.</p>	<p>This preference is in place to promote the use of Hawaii software development businesses who have at least 80 percent of their employees working on the software residing in Hawaii.</p> <p>To comply with HRS 103D-1006 and HAR 3-124, Subchapter 5, when you develop your IFB, you need to identify this preference when software development is involved.</p> <p>When bids are received, they should include SPO Form 9, <i>Certificate of Eligibility</i>, to be given this preference.</p> <p>When evaluating bids, the price of the non-Hawaii software development business is increased by 10 percent before comparing final prices.</p>
<p>47.</p>	<p>This preference is in place to promote fair competition for bidders paying the Hawaii General Excise Tax and Hawaii Use Tax, which are higher than other states.</p> <p>To comply with HRS 103D-1008 and HAR 3-124, Subchapter 7, when you develop your IFB, you need to identify this preference when retail taxes are involved.</p> <p>When bids are received, they should include a tax clearance certificate or Hawaii Compliance Express Certificate of Vendor Compliance to be given this preference.</p> <p>When evaluating bids, the prices submitted by the tax-exempt bidders are increased by the applicable retail rate of the Hawaii General Excise Tax and applicable Hawaii Use Tax before comparing final prices.</p>
<p>48.</p>	<p>This preference is in place to promote the use of goods and services provided by qualified community rehabilitation programs located in Hawaii. The Partners in Employments Program (or PEP) is a partnership between the State and these programs to provide jobs, such as janitorial or food services, groundskeeping, or laundry services. A list of qualified programs is available on the SPO website.</p> <p>To comply with HRS 103D-1009 and HAR 3-124, Subchapter 8, when you develop your IFB, you need to identify this preference unless your procurement is for construction. Construction is not included in this preference.</p> <p>When bids are received, bidders should indicate the program they intend to use from the qualified list maintained by the SPO.</p> <p>When evaluating bids, the price submitted by a non-qualified program is increased by 5 percent before comparing final prices.</p>

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49.	<p>This preference is in place to promote the use of biodiesel (a vegetable-oil-based fuel) or biofuel (a non-petroleum or animal-based fuel) in diesel engines or boilers.</p> <p>To comply with HRS 103D-1012, when you develop your IFB, you need to identify this preference when diesel machines are involved.</p> <p>When bids are received, they must identify the purity of the biodiesel or biofuel intended to be purchased and used to run the machines. They can use a blend, but only the non-petroleum-based part will get the preference.</p> <p>When evaluating bids, the price submitted for biodiesel or biofuel is decreased by 5 percent (or five cents) per gallon. For blends containing both biodiesel and petroleum-based diesel, the decrease is applied only to the biodiesel portion of the blend.</p>
50.	Let's see if you can determine which preference you should use in your IFB for this scenario.
51.	Let's take a minute to review some key points from this module.
52.	<p>In this module, you were presented with information to help you navigate the Competitive Sealed Bidding method of procurement. You should now be able to:</p> <ul style="list-style-type: none">• Describe the Competitive Sealed Bidding method and when it is used;• Apply the rules, regulations, and statutes for competitive sealed bidding; and• Identify procurement needs when developing solicitations.
53.	<p>You've completed the first of three modules for the <i>SPO 100 Competitive Sealed Bidding Method of Procurement</i> training course. You must complete all three modules and pass an assessment to receive credit for this course.</p> <p>We've covered a lot of information in this module. To help you remember some of the most important parts of the Competitive Sealed Bidding method of procurement, we've created a quick reference guide that you can save and print. To access the guide, click the References menu in the top right corner of this module.</p> <p>Mahalo!</p>