

PROCUREMENT SCORING

BEST VALUE ASSESSMENT

In all procurements, the evaluation must take into account the specific criteria and requirements/specifications enumerated in the procurement documents. In certain limited circumstances, the “lowest price” may be the only factor that drives the purchase decision.

Example: *Suppose the department wishes to purchase Acme doorknobs, models A, B, and C. The doorknobs are the only ones compatible with existing door locks and are clearly called out in Acme’s catalog. However, there are dozens of distributors of these doorknobs offering various price discounts. Assuming all relevant terms are equal (delivery, availability, warranties), the only distinguishing factor from one distributor to the next is price. Under these circumstances, the lowest bidder earns the business.*

In traditional price agreements, often involving catalog sales, the above approach is the best practice. We look for the greatest “discount off of the list price” as the determinative factor.

As a practical matter, circumstances giving rise to an award based solely on the lowest price are rare and almost never occur in connection with the purchase of services. Beyond price, there are any number of factors that can influence the award decision e.g., delivery, maintenance, service, warranties, quality assessments, and the practical availability of approved equals or substitute products. Thus, in most instances, the University deploys procurements to obtain *best value* for the University. A *best value* assessment is the best practice to follow in assessing the merits of most proposals.

A *best value* assessment examines both qualitative and quantitative criteria to compare the benefits of what you will receive against the cost factors associated with the purchase of the goods or services. Quantitative criteria might include objective measures of performance, the ability to meet required specifications, purchase price, product life-cycle, operational savings or costs, the need for training, etc., often referred to as the “total cost of ownership.” In connection with “qualitative criteria,” other terms to characterize *best value* comparisons are strengths and weaknesses, pros and cons, risks and rewards. Factors such as financial wherewithal, vendor resources, industry experience, degree of risk, and the ability to meet preferred requirements are all factors that determine the qualitative value of the purchase. While recognizing these variables parallels one’s common sense, that recognition reflects an evolution in the role and responsibility of procurement in the public setting and how these variables are applied in detail. Essentially, assessing *best value* requires a consideration of “what” is important and “how much” it is important.

Example: *Suppose the department wishes to purchase a desk chair for a new faculty member. The department wants a comfortable and ergonomically friendly chair. The*

purchasing agent for the department discovers a suitable chair on sale from Acme Furniture. The price is \$200 and the purchase comes with a 1-year warranty. After a year, the chair breaks down and a similar one is ordered. This process continues for several years because the price of this chair or a similar chair is so “cheap.” Over the course of five years, the department spends \$1,000 on office chairs. At the time of the initial purchase, the department was aware of a significantly higher quality chair. However, the price was \$800 and the department passed for budgetary reasons. The \$800 chair was constructed of better materials and came with a full 10-year warranty. In the first instance, the total cost of ownership of the desk chairs is \$1000 over five years (not including the time and effort associated with the numerous purchases). In the second instance, the total cost of ownership is \$800 over 10-years. In this hypothetical, a “best value” assessment would have led the department to purchase the chair with an initial higher cost but a significantly lower cost as measured against its useful life.

SCORING THE PROPOSALS¹

Objectives

The fundamental objective of the evaluation process is to ensure scoring is based on specific and measured criteria that evidence fairness and transparency while providing *best value* to UO. When this objective is not satisfied, it is usually because:

- The criteria are not sufficiently definite and overly qualitative.
- The criteria are not weighted to identify their relative importance to the procurement objectives.
- There is no documented rationale for applying the criteria and distinguishing the factors that lead to the assignment of a score value, points or adjectival.
- The rationale for selecting a vendor is unclear.
- There is a failure to adequately distinguish proposals based on an evaluation of their respective merits against the scoring criteria.

¹ Evaluations that are based on price only are handled differently. *Fair evaluation includes a tabulation and evaluation of bids to ensure that the low bid is fully responsive to the procurement.* When there are lower bids than the bid being accepted for award, the award decision document must give the reasons for rejecting the lower bids. When there are equal low bids, the documentation must describe how the tie was broken.

Every procurement action must include a cost or price analysis to determine the reasonableness of the proposed contract price. When possible, the starting point for this cost or price analysis should be the independent cost estimate. Significant differences between the independent cost estimate and the low bid need to be discussed.

- The process is not adequately documented to sustain a reasonable conclusion that UO and public procurement policies have been fairly applied. Think of it as an audit review. A written record of the award decision needs to be made.

File Documentation of Selection Decision

Best Practices

Having considered all of the available proposal evaluation data, the evaluation committee must document the basis for the decision to select that proposer whose proposal is most advantageous to the UO with price and other factors considered. The contract file documentation should include the following:

- *Technical and Quantitative Evaluation.* Typically the technical/quantitative criteria of a procurement are those elements that can be “measured” against an objective, empirical, or industry standard e.g., stated functional objectives, methodologies, formulas/algorithms, plans, dimensions, volume, system requirements, security and regulatory compliance, time, destination, licensing, compliance with identified minimum qualifications or experience, specific financial requirements, etc.

A Cost/Price Analysis. In all instances, the evaluation must reflect evidence of a cost or price analysis. You may wish to prepare a separate Cost/Price Analysis memorandum analyzing the costs or prices proposed against: (a) the independent cost estimate prepared prior to solicitation, (b) specific company information in the proposals, such as the particular technical approach being offered, and/or (c) any other pertinent information such as a technical evaluation of the cost proposal, an advisory audit of the proposer's cost proposal, or a comparison of prices offered with prior procurements. If the contract being awarded is a cost-reimbursement type, the Cost/Price Analysis needs to address the realism of the various cost elements proposed, and where the costs are unrealistically low, an adjustment should be made to reflect what the department believes the effort will actually cost given that proposer's specific technical approach as well as its direct and indirect cost rates. This cost realism assessment must be carefully considered when determining which proposer's proposal represents the *best value* for the procuring department. All too often contractors are unrealistically optimistic in estimating costs in competitive cost-type situations (known as "buying in"). The result is that the lowest proposed/estimated cost is not necessarily the most advantageous choice for the procuring department.

Example: Suppose the department requires a truck to regularly deliver pallets of laboratory supplies to its off-site lab. The truck must permit staff to double stack the pallets at 8 feet high and 20 feet deep. The loading and unloading time is 1 hour and requires a forklift driver and 2 employees on each end. The department receives 2 bids. The first bid meets the criteria but the truck cost is \$70,000. The

second bid describes a truck that is 15 feet deep and 8 feet high. However, the truck cost is \$35,000. The useful life of each truck is 5 years. Maintenance and service costs on both trucks are the same. Thus, a cost/price analysis must assess the variables associated with the price difference and labor costs to assess the true cost of ownership for each vehicle over the 5-year period.

- *Qualitative Evaluation.* Qualitative criteria are those requirements that cannot be easily measured and, by their nature, are more subjective e.g., references, scope and quality of one's experience, organizational structure, key personnel, reputation, approach to project, project design, etc. **Qualitative criteria should be objective to the maximum extent possible and clearly defined or explained.**

Assessing Proposals

Best Practices

It is essential that every proposal be evaluated against the stated scoring criteria. Documenting the rationale for a score or rating is required. It is not appropriate to compare proposals against one another as this process can lead to a decision that bypasses or disregards the criteria in the procurement.

Proposal Evaluation Mechanics

There are many different methods of conducting proposal evaluations to determine *best value*, and many opinions as to which is the best approach. Departments may employ any rating method or combination of methods, including color or adjectival ratings, numerical weights, and ordinal rankings. ***Whatever the method, the most important aspect of the scoring process is that a statement of the relative strengths, deficiencies, significant weaknesses, and risks supporting the evaluation ratings be documented in the contract file.***

In some instances, a quantitative approach of assigning scores to both technical and cost proposals is utilized, thereby compelling a source selection that is mathematically derived. Proponents of this method usually argue that it is the most "objective," and therefore the fairest approach to determining a winner. On closer examination, however, all approaches are to one degree or another, subjective. The decision regarding what score to assign to any given factor is subjective, and any formula employed after the initial scoring cannot make the process an "objective" one.

Under any scoring system, flexibility must be allowed to ensure sound and factually based decisions are in the department's best interests. In circumstances where technical specifications and other criteria must be considered in addition to price, price should be evaluated and brought alongside the technical proposal scores in order to make the necessary tradeoff decisions as to which proposal represents the best overall value to the department. The department should carefully consider the technical merits of the competitors and the price differentials to see if a higher price proposal warrants the award

based on the benefits it offers to the department compared to a lower-priced proposal. This is a subjective decision-making/tradeoff process.

Points

In determining a point scoring structure, categories that correspond to all evaluated criteria must be identified. This does not mean that every element or specification must have a corresponding point total. Nor does it mean that every element is to be given equal weight. Rather, the weight assigned to the criteria should correspond to the relative importance that the criteria have in the overall assessment of *best value*. Criteria may be grouped into subsets that make logical sense. For example, technical specifications may require functionality in multiple areas that are best evaluated in “groups.” Similarly, references, experience and samples might be an appropriate subset for consideration while cost and delivery of goods/services may be best evaluated together. In point scoring, issues arise in creating an overly technical evaluation matrix. Overly granular criteria and point assessment can prolong the scoring process or, in some cases, lead one into an inextricable maze. Creating a scoring matrix with 1500 points is sure to create chaos and, unfortunately, a greater exposure to protests.

Adjectival Ratings

Adjectival ratings e.g., "Acceptable," "Very Good," and "Excellent," are a frequently used method of rating a proposal. Adjectives are used to indicate the degree to which the proposal has met the standard for each factor evaluated. Adjectival systems may be employed independently or in connection with other rating systems. This process heavily emphasizes the need for substantive narrative explanations of the reasons for the adjective in determining if it is in the department's best interest to issue an award to a particular vendor. In this scenario, criteria are measured in a tradeoff fashion using good business judgment to choose the proposal that represents the *best value* to the department. Caution should be exercised in the rating process as the advantages to using adjectival ratings (A, B, C, D, F) are lost if the ratings are converted to points e.g., 4 points for an A, three points for a B, and so on.

When using an adjectival rating, two proposals with the same adjectival rating are not automatically equivalent on that factor. If the evaluators truly believe that the proposals are equal on that factor, they must nevertheless document this determination based on the specific content of the competing proposals, and the strengths and weaknesses underlying the adjectival ratings. If the evaluators fail to adequately document this analysis, the department runs the risk of having the award overturned on a bid protest.

Scoring Proposals

Building Consensus

Where committees are involved in the evaluation process, it is common for committee members to undertake individual evaluations. Evaluators individually assess each proposal in accordance with the evaluation factors stated in the procurement document. Evaluators must support adjectival, color, or numerical ratings with narrative statements that explain or justify the given score. This is a good start. However, how a particular individual arrives at a score will vary. **Accordingly, averaging individual scores to arrive at a decision is not a best practice.** Rather, after individual evaluations are complete, evaluators should meet as a group/team to determine a consensus score. The consensus score is an agreement of the strengths, weaknesses, risks, and determine a score for a specific evaluation factor. **Unfortunately, no simple process exists to help the evaluators reach a consensus rating.**

Scoring Tips

- Treat suppliers fairly, impartially and equitably at all times.
- Do not base your decision on hearsay, anecdotes, personal views of panel members, or information that is beyond the scope of the procurement document.
- Keep a record of how each response was assessed against the criteria and demonstrate that each received due and fair consideration.
- Treat responses as commercially confidential information – the evaluation panel should not discuss any element of the evaluation process with anyone not on the panel.
- Assess the collective impact of evaluation sub factors on each factor.
- Assess all of the evaluation factors as they relate to each other under the weighting methodology identified in the solicitation.
- Determine whether information is incomplete, unclear, or indicates an inadequate approach to, or understanding of, the factor.
- Determine whether there is a question about the proposer’s ability to perform satisfactorily.
- Specifically identify how the proposal exceeds, meets, partially meets or fails to meet. Point out the strength and weaknesses of the proposal on the identified factors.
 - Does the proposal have some superior features?

- Is the information provided generally clear? Does the proposal demonstrate an acceptable ability to accomplish the technical requirements, with the possibility of more than adequate performance?
- Are quantitative standards available to use as a baseline against which the department evaluates the proposals e.g., miles per hour, dollars per pound, lines of code, years of experience, computer processing speed, etc.?
- What qualitative factors will provide an acceptable the best solution e.g., *acceptable levels of experience, knowledge, management skills, technical compliance etc.?*

SUMMARY

As stewards of the public's trust and investment, UO has the responsibility to follow public procurement and internal policies that promote fairness, competition and transparency in contracting. UO is obligated to secure *best value* in all of its commercial transactions. To satisfy its responsibility and obligation, UO must conduct procurement evaluations in a conscientious, objective and well-documented manner. Remember, everything we do is a public record and open to inspection, as it should be. Committees and evaluators must avoid assessments that are inconsistent, ambiguous and/or misplaced such that the ultimate justification for an award decision is difficult to ascertain. Our compliance with policy is best evidenced by clear and contemporaneous documentation of our reasoning. Such is the best evidence of our intent and motivations at the time of the award. When our decisions are unclear, objectivity can be challenged along with our intent and motives. We do not want to create fodder for protests or challenges to our reputation and integrity for failure to have clearly documented our decisions.

PCS is here to address all inquiries and assist you in the evaluation process.