Certified Associate in Project Management (CAPM)® Exam Prep

Chapter 12 – Project Procurement Management

WORKBOOK
Procurement Management

- Processes to purchase or acquire the products, services, or results needed from outside the project team to perform the work

- Unless otherwise noted, consider yourself the BUYER

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12. Project Procurement Management

- Planning Process Group
  - 12.1 Plan Procurements
  - 12.2 Order Procurements

- Executing Process Group
  - 12.3 Control Procurements

- Monitoring and Controlling Process Group
  - 12.4 Close Procurements

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Procurement Management
12.1 Plan Procurement Management

- Identify which project needs can best be met by purchasing or acquiring products, services or results outside the project organization.
- Consider potential sellers, permits, licenses.
- Project schedule greatly influences, and is influenced by, purchase and acquisition decisions.
- Review risks & types of contracts.
12.1 Plan Procurement Management

**Inputs**
1. Project management plan
2. Requirements documentations
3. Risk register
4. Activity resource requirements
5. Project schedule
6. Activity cost estimates
7. Stakeholder register
8. Enterprise environmental factors
9. Organizational process assets

**Tools & Techniques**
1. Make-or-buy analysis
2. Expert judgment
3. Market research
4. Meetings

**Outputs**
1. Procurement management plan
2. Procurement statements of work
3. Procurement documents
4. Source selection criteria
5. Make-or-buy decisions
6. Change request
7. Project documents updates
Procurement Management

Definition of a Contract..

Contract Type Selection – The type of contract used is dependent on the degree of uncertainty facing the project manager.

**Contract Types**

| Seller's Risk | | Buyer's Risk | |
|---------------|---|-------------|
| Low           | High | Low         | High |
| Cost-Reimbursable / T & M | | Fixed Price |
| CPPC          | Cost Plus Percentage Of Costs | CPIF | Cost Plus Incentive Fee |
| CPFF          | Cost Plus Fixed Fee | FPIF | Fixed Price Plus Incentive |
| CPIF          | Cost Plus Incentive Fee | FFP | Firm-Fixed Price or Lump Sum |
Procurement Management

Procurement Management Plan

- Describes managing procurement from developing procurement documentation through contract closure.
- Types of contracts
- Roles and responsibilities, authority
- Coordination
- Constraints and assumptions
- Timeframes
- Pre-qualified sellers
- Metrics
12.2 Conduct Procurements

Process of obtaining seller responses, selecting a seller, & awarding a contract.

Consider
- Project risks and contractual agreements
- Activities resource requirements
- Activity cost estimates
- Cost and schedule baselines
### 12.2 Conduct Procurements

**Inputs**
- 1. Project management plan
- 2. Procurement documents
- 3. Source selection criteria
- 4. Seller proposals
- 5. Project documents
- 6. Make–or–buy decisions
- 7. Procurement statement of work
- 8. Organizational process assets

**Tools & Techniques**
- 1. Bidder conferences
- 2. Proposal evaluation techniques
- 3. Independent estimates
- 4. Expert judgments
- 5. Advertising
- 6. Analytical techniques
- 7. Procurement negotiations

**Outputs**
- 1. Select sellers
- 2. Agreements
- 3. Resource calendars
- 4. Change requests
- 5. Project management plan updates
- 6. Project document updates
Procurement Management
Source Selection Criteria

➢ Understanding of need
➢ Life-cycle cost
➢ Technical capability
➢ Management approach
➢ Production capacity & interest

➢ Financial capacity
➢ Technical approach
➢ Business size & type
➢ References
➢ Intellectual & other property rights
**Procurement Management**

12.3 Control Procurements

- Manage procurement relationships
- Monitor contract performance
- Make changes & corrections as needed
- Both the buyer & seller administer contract
- Both parties must meet obligations
- Manage interfaces among providers on large projects
**Procurement Management**

12.3 Control Procurements

**Inputs**
1. Project management plan
2. Procurement documents
3. Agreements
4. Approved change requests
5. Work performance reports
6. Work performance data

**Tools & Techniques**
1. Contract change control system
2. Procurement performance reviews
3. Inspections & audits
4. Performance reporting
5. Payment systems
6. Claims administration
7. Records management system

**Outputs**
1. Work performance information
2. Change requests
3. Project management plan updates
4. Project document updates
5. Organizational process assets updates
12.4 Close Procurements

- Process supports the Close Project or Phase Process.
- Involves verification that all work & deliverable were acceptable.
- Administrative activities such as finalizing open claims and updating records.
- Could lead to litigation.
Procurement Management
Negotiate Settlements

- Special case of contract closure
- Mutual agreement or default
- Terms are in the contract
- Buyer may have to compensate seller
12.4 Close Procurements

**Inputs**
- 1. Project management plan
- 2. Procurement documents

**Tools & Techniques**
- 1. Procurement audits
- 2. Procurement negotiations
- 3. Records management system

**Outputs**
- 1. Closed procurements
- 2. Organizational process assets updates
Procurement Management

Project Procurement Management – Summary

♦ Four (4) Processes
♦ Know components in each process
♦ You are THE BUYER unless otherwise stated
♦ Recognize scenarios to use each type of contract
♦ Buyer/Seller risk for types of contracts
♦ Use and importance of evaluation criteria
Questions and Answers
Review Questions:

1. Which of the following is not an input to the plan procurement management process?
   A. Risk register
   B. Activity cost estimates
   C. Activity lists
   D. Enterprise environmental factors

2. Which of the following is not a tool or technique used in the plan procurement management process?
   A. Make or buy analysis
   B. Expert judgment
   C. Market research
   D. Proposal evaluation techniques

3. Which of the following is a tool or technique used in the plan procurement management process?
   A. Meetings
   B. Independent estimates
   C. Proposal evaluation techniques
   D. Records management system

4. Which of the following is not an output from the plan procurement management process?
   A. Procurement management plan
   B. Project management plan updates
   C. Procurement statements of work
   D. Make or buy decisions

5. Which of the following is not an output from the plan procurement management process?
   A. Procurement statements of work
   B. Procurement documents
   C. Contracts
   D. Source selection criteria
6. Which of the following is not an output from the plan procurement management process?
   A. Change requests
   B. Source selection criteria
   C. Make or buy decisions
   D. Organizational process asset updates

7. Which of the following is not an input to the conduct procurements process?
   A. Project management plan
   B. Procurement documents
   C. Risk-related contract decisions
   D. Source selection criteria

8. Which of the following is not an input to the conduct procurements process?
   A. Seller proposals
   B. Work performance information
   C. Project management plan
   D. Make or buy decisions

9. Which of the following is not an input to the conduct procurements process?
   A. Organizational process assets
   B. Source selection criteria
   C. Make or buy decisions
   D. Approved change requests

10. Which of the following is an input to the conduct procurement process?
    A. Approved change requests
    B. Source selection criteria
    C. Risk register
    D. Activity resource requirements

11. Which of the following is not a tool or technique used in the conduct procurements process?
    A. Bidder conferences
    B. Independent estimates
    C. Inspections & audits
    D. Advertising
12. Which of the following is not a tool or technique used in the conduct procurements process?
   A. Analytical techniques
   B. Advertising
   C. Independent estimates
   D. Internet search

13. Which of the following is a tool or technique used in the conduct procurement process?
   A. Analytical techniques
   B. Payment systems
   C. Change request
   D. Make or buy decisions

14. Which of the following is a tool or technique used in the conduct procurement process?
   A. Contract types
   B. Payment systems
   C. Procurement negotiations
   D. Records management system

15. Which of the following is not an output from the conduct procurements process?
   A. Resource calendars
   B. Activity resource requirement updates
   C. Change requests
   D. Project management plan updates

16. Which of the following is not an output from the conduct procurements process?
   A. Make or buy decisions
   B. Selected sellers
   C. Agreements
   D. Project document updates

17. Which of the following is not an input to the control procurements process?
   A. Work performance reports
   B. Change requests
   C. Procurement documents
   D. Work performance data
18. Which of the following is not an input to the control procurements process?
   A. Expert judgment
   B. Approved change requests
   C. Agreements
   D. Performance reports

19. Which of the following is an input to the control procurements process?
   A. Source selection criteria
   B. Work performance data
   C. Seller proposals
   D. Organizational documents

20. Which of the following is not a tool or technique used in the control procurements process?
   A. Contract change control system
   B. Procurement performance reviews
   C. Performance reporting
   D. Proposal evaluation techniques

21. Which of the following is not a tool or technique used in the control procurement process?
   A. Inspections and audits
   B. Expert judgment
   C. Payment systems
   D. Claims administration

22. Which of the following is not a tool or technique used in the control procurements process?
   A. Contract types
   B. Records management system
   C. Claims administration
   D. Performance reporting

23. Which of the following is a tool or technique used in the control procurements process?
   A. Records management system
   B. Expert judgment
   C. Internet search
   D. Independent estimates
24. Which of the following is not an output from the control procurements process?
   A. Work performance information
   B. Organizational process asset updates
   C. Change requests
   D. Payment systems

25. Which of the following is an output from the control procurements process?
   A. Approved change requests
   B. Agreements
   C. Work performance information
   D. Contract updates

26. Which of the following is an input to the close procurement process?
   A. Contracts
   B. Project management plan
   C. Organizational process assets
   D. Approved change requests

27. Which of the following is an input to the close procurement process?
   A. Procurement contract award
   B. Resource calendars
   C. Updated project documents
   D. Procurement documents

28. Which of the following is not a tool or technique used in the close procurement process?
   A. Expert judgment
   B. Procurement audits
   C. Procurement negotiations
   D. Records management system

29. Which of the following is not a tool or technique used in the close procurements process?
   A. Records management system
   B. Contract evaluation techniques
   C. Procurement audits
   D. Procurement negotiations
30. Which of the following is an output to the close procurements process?
   A. Project management plan updates
   B. Project document updates
   C. Organizational process assets updates
   D. Procurement documentation updates

31. Which of the following is an output to the close procurements process?
   A. Closed procurements
   B. Approved change requests
   C. Closed contracts
   D. Completed claims administration

32. Which of the following is not a process found in the procurement management knowledge area?
   A. Plan procurement management
   B. Conduct procurements
   C. Administer contracts
   D. Close procurements

33. Once signed, a contract is legally binding unless:
   A. It is declared void by appropriate legal counsel
   B. One party fails to meet its financial obligation
   C. One party fails to deliver the contracted good or service
   D. It is in violation of applicable law

34. You are leading a project that requires you to purchase goods and services from a third party. You negotiate and sign a contract and the contractor provides the desired product. However, you feel the product does not meet specifications. The contract is considered to be:
   A. Closed
   B. Null and void
   C. Incomplete
   D. Complete

35. Which of the following represents the primary purpose of contract negotiations?
   A. To define objectives and stick to them
   B. Provide protection for the relationship
   C. Gain the greatest financial return
   D. Gain the most from the other side
36. You are leading a large IT project for your organization. The head of the accounting department has just come to you with a problem. A routine audit of your project has found a cost reimbursable contract that has being made against it. The contract does specify how to correct this situation, but you are being held accountable to do so. Which of the following would be the best course of action?
   A. Stop payments until the problem is corrected
   B. Initiate legal proceedings to recover the overpayments and void the contract
   C. Work with the seller to alter the contract to require improved payment oversight
   D. Continue to make the payments

37. Which of the following statements about change control is true and correct?
   A. Changes rarely benefit the project
   B. A firm fixed price contract minimizes the need for change control
   C. The contract should include procedures to accommodate changes
   D. More detailed specifications eliminate the causes of changes

38. Which of the following best explains the purpose of incentive clauses in contracts?
   A. Reduce risks for the buyer by shifting them to the seller
   B. Synchronize objectives
   C. Help the seller control costs
   D. Help the buyer control costs

39. Which of the following statements concerning procurement documents is true and correct?
   A. Well-designed procurement documents can simplify comparison of responses
   B. In general bid documents should not include the evaluation criteria
   C. RFPs are generally the best way to get unbiased proposals
   D. Procurement documents are best when they are rigorous and avoid flexibility to prevent miscommunication
40. Which of the following activities is the best thing for a project manager to do when completing the conduct procurements process found in the procurement management knowledge area?
   A. Update and evaluate risks
   B. Update the budget and schedule
   C. Answer the sellers' questions about bid documents
   D. Select a contract type

41. Which of the following is a key objective during contract negotiations?
   A. Negotiate a price that meets or exceeds the buyer's expectations
   B. Obtain a fair and reasonable price
   C. Ensure that an effective procurement management process is established
   D. Ensure that all project risks are thoroughly delineated

42. Which of the following best describes the role of the project manager during the procurement process?
   A. The project manager is secondary to the contracting manager
   B. The project manager is the primary negotiator
   C. The project manager tells the contract manager how the contracting process should be handled
   D. The project manager supplies an understanding of the risks of the project

43. Which of the following is not required in a contract?
   A. Acceptance
   B. Procurement statement of work
   C. Address of the buyer
   D. Buyers' signature

44. In which of the following processes would you find bidder conferences?
   A. Plan procurements
   B. Conduct procurements
   C. Administer procurements
   D. Monitor and control procurements
45. You are leading a project that has a number of work packages that are being completed by external resources. One work package is being completed by a contractor working on a cost reimbursable contract. You have determined that the scope of the project must be expanded for this contractor. Additionally, you are concerned about cost control and would like to change the contract to a firm fixed price contract. All of the following are the seller's options except:
   A. Starting over with a new contract
   B. Negotiating a fixed price contract that includes all the desired work
   C. Completing the original work and rejecting the additional scope
   D. Completing the original work using the original cost reimbursable contract and then negotiating a new firm fixed price contract for the additional work

46. Which of the following is a reason for centralized contracting?
   A. Deeping expertise
   B. No single location
   C. Increased loyalty to the project
   D. Easier access to expertise

47. You are leading a large project and are attempting to negotiate a complex contract. In the middle of the meeting the selected seller informs you that "they need to finish up in the next 90 minutes so they can catch an airplane." What kind of negotiating strategy is this?
   A. Extreme demands
   B. Delay
   C. Good cop, bad cop
   D. Deadline

48. You have been tasked with establishing a records management system for a large project. You are trying to make sure all the records from the procurements are properly documented and indexed. Which of the following are not concerned about?
   A. Negotiation process
   B. Proposal
   C. Procurement statement of work
   D. Terms and conditions
49. You have been asked to lead a mid-sized project for your organization. Your sponsor is very concerned about one particular seller that must be used on the project and wants to make sure you are minimizing the risk to your organization. You suggest using a firm fixed price contract. Which of the following explains the recommendation?
   A. Schedule risk will be fixed
   B. Cost risk will be lower
   C. The buyer owns most of the risk
   D. Risk is shared equally by all parties

50. You are leading a project that has been in process for 13 months. You are nearing the completion of a major deliverable that was completed by an external resource using a cost reimbursable contract. You have entered the close procurements process. Which of the following must you remember to do?
   A. Make sure the seller is not adding work to the contract
   B. Make sure the seller is not adding resources
   C. Audit the seller's cost submittals
   D. Decrease the risk rating of the project

51. You have been asked to lead a mid-sized project for your organization. Your sponsor is very concerned about one particular seller that must be used on the project and wants to make sure you are minimizing the risk to your organization. You suggest using a firm fixed price contract. In a firm fixed price contract, the fee or profit is:
   A. Specifically stated as a line item in each invoice
   B. Determine through negotiation at the end of the contract
   C. Unknown
   D. Part of the negotiation involved in paying every invoice
Answer Key:

1. C
   PMBOK Guide - The inputs to the plan procurement management process include:
   - Project management plan
   - Requirements documentation
   - Risk register
   - Activity resource requirements
   - Project schedule
   - Activity cost estimates
   - Stakeholder register
   - Enterprise environmental factors
   - Organizational process assets

2. D
   PMBOK Guide - The tools and techniques used in the plan procurement management process include:
   - Make or buy analysis
   - Expert judgment
   - Market research
   - Meetings

3. A
   PMBOK Guide - The tools and techniques used in the plan procurement management process include:
   - Make or buy analysis
   - Expert judgment
   - Market research
   - Meetings
4. **B**
PMBOK Guide - The outputs to the plan procurement management process include:
- Procurement management plan
- Procurement statements of work
- Procurement documents
- Source selection criteria
- Make-or-buy decisions
- Change requests
- Project documents updates

5. **C**
PMBOK Guide - The outputs to the plan procurement management process include:
- Procurement management plan
- Procurement statements of work
- Procurement documents
- Source selection criteria
- Make-or-buy decisions
- Change requests
- Project documents updates

6. **D**
PMBOK Guide - The outputs to the plan procurement management process include:
- Procurement management plan
- Procurement statements of work
- Procurement documents
- Source selection criteria
- Make-or-buy decisions
- Change requests
- Project documents updates
7. C
   PMBOK Guide - The inputs to the conduct procurements process include:
   - Procurement management plan
   - Procurement documents
   - Source selection criteria
   - Seller proposals
   - Project documents
   - Make or buy decisions
   - Procurement statement of work
   - Organizational process assets

8. B
   PMBOK Guide - The inputs to the conduct procurements process include:
   - Procurement management plan
   - Procurement documents
   - Source selection criteria
   - Seller proposals
   - Project documents
   - Make or buy decisions
   - Procurement statement of work
   - Organizational process assets

9. D
   PMBOK Guide - The inputs to the conduct procurements process include:
   - Procurement management plan
   - Procurement documents
   - Source selection criteria
   - Seller proposals
   - Project documents
   - Make or buy decisions
   - Procurement statement of work
   - Organizational process assets
10.B
PMBOK Guide - The inputs to the conduct procurements process include:
- Procurement management plan
- Procurement documents
- Source selection criteria
- Seller proposals
- Project documents
- Make or buy decisions
- Procurement statement of work
- Organizational process assets

11.C
PMBOK Guide - The tools and techniques used in the conduct procurements process include:
- Bidder conferences
- Proposal evaluation techniques
- Independent estimates
- Expert judgment
- Advertising
- Analytical techniques
- Procurement negotiations

12.D
PMBOK Guide - The tools and techniques used in the conduct procurements process include:
- Bidder conferences
- Proposal evaluation techniques
- Independent estimates
- Expert judgment
- Advertising
- Analytical techniques
- Procurement negotiations
13. A

PMBOK Guide - The tools and techniques used in the conduct procurements process include:
- Bidder conferences
- Proposal evaluation techniques
- Independent estimates
- Expert judgment
- Advertising
- Analytical techniques
- Procurement negotiations

14. C

PMBOK Guide - The tools and techniques used in the conduct procurements process include:
- Bidder conferences
- Proposal evaluation techniques
- Independent estimates
- Expert judgment
- Advertising
- Analytical techniques
- Procurement negotiations

15. B

PMBOK Guide - The outputs from the conduct procurements process include:
- Selected sellers
- Agreements
- Resource calendars
- Change requests
- Project management plan updates
- Project document updates

16. A

PMBOK Guide - The outputs from the conduct procurements process include:
- Selected sellers
- Agreements
- Resource calendars
- Change requests
- Project management plan updates
- Project document updates
17. B
PMBOK Guide - The inputs to the control procurements process include:
- Project management plan
- Procurement documents
- Agreements
- Approved change requests
- Work performance reports
- Work performance data

18. A
PMBOK Guide - The inputs to the control procurements process include:
- Project management plan
- Procurement documents
- Agreements
- Approved change requests
- Work performance reports
- Work performance data

19. B
PMBOK Guide - The inputs to the control procurements process include:
- Procurement documents
- Project management plan
- Contract
- Performance reports
- Approved change requests
- Work performance information

20. D
PMBOK Guide - The tools and techniques used in the control procurements process include:
- Contract change control system
- Procurement performance reviews
- Inspections and audits
- Performance reporting
- Payment systems
- Claims administration
- Records management system
21.B
PMBOK Guide - The tools and techniques used in the control procurements process include:
- Contract change control system
- Procurement performance reviews
- Inspections and audits
- Performance reporting
- Payment systems
- Claims administration
- Records management system

22.A
PMBOK Guide - The tools and techniques used in the control procurements process include:
- Contract change control system
- Procurement performance reviews
- Inspections and audits
- Performance reporting
- Payment systems
- Claims administration
- Records management system

23.A
PMBOK Guide - The tools and techniques used in the control procurements process include:
- Contract change control system
- Procurement performance reviews
- Inspections and audits
- Performance reporting
- Payment systems
- Claims administration
- Records management system

24.D
PMBOK Guide - The outputs from the control procurements process include:
- Work performance information
- Change requests
- Project management plan updates
- Project documents updates
- Organizational process assets updates
25. C
PMBOK Guide - The outputs from the control procurements process include:
- Work performance information
- Change requests
- Project management plan updates
- Project documents updates
- Organizational process assets updates

26. B
PMBOK Guide - The inputs to the close procurements process include:
- Project management plan
- Procurement documents

27. D
PMBOK Guide - The inputs to the close procurements process include:
- Project management plan
- Procurement documents

28. A
PMBOK Guide - The tools and techniques used in the close procurements process?
- Procurement audits
- Procurement negotiations
- Records management system

29. B
PMBOK Guide - The tools and techniques used in the close procurements process?
- Procurement audits
- Procurement negotiations
- Records management system

30. C
PMBOK Guide - The outputs from the close procurements process include:
- Closed procurements
- Organizational process assets updates
31. A
PMBOK Guide - The outputs from the close procurements process include:
- Closed procurements
- Organizational process assets updates

32. C
PMBOK Guide - The processes found in the procurement management knowledge area include:
- Plan procurement management
- Conduct procurements
- Control procurements
- Close procurements

33. D
A contract is not legally binding if it violates applicable law. However, contract terms typically spell out what will happen if other conditions are not met.

34. D
If the seller completes the work specified in the procurement statement of work, the contract is considered complete. That does not mean the same thing as closed. The close procurements process still must occur.

35. B
According to PMI you are always looking for the win/win situation. You also want to have the relationship last through the entire project. A contract will not force anyone to stick to objectives. It can only spell out the penalties if the objectives are not met.

36. D
Remember, the question is really asking what would you do first. In this case, you would first continue the payments otherwise you would be in violation of the terms of the contract. You cannot simply void a contract. While altering the contract might be a good idea, it is not what you would do first.

37. C
Changes will occur no matter what. It is therefore critically important that any contract outline how changes are to be made so you can best handle them. All of the other choices are myths!
38. B  
Incentives are specifically intended to help the seller and buyer synchronize objectives. Sellers are typically motivated by financial means. By providing special gains, typically financial to the seller, the buyer can motivate the seller towards specific important targets.

39. A  
All of the answers might be true in specific situations, but they are not always true. Only having well designed procurement documents can simplify comparison of seller responses is always true.

40. C  
During the conduct procurements process, you normally answer questions submitted by the sellers. The risk analysis processes are done before the procurement process begins, as procurement is a form of risk mitigation and transference. Selecting a particular contract type is part of plan procurements. Changes to the schedule and budget may be an output of the administer procurements process.

41. B  
Contract negotiations are about managing expectations and ensuring the relationship can be maintained throughout the project. They are also about getting a win-win situation in terms of price. This means the buy gets a fair and reasonable price.

42. D  
This is a question where all of the options are less than perfect. However, the best or closest option is that the project manager supplies an understanding of the risks of the project.

43. C  
The options in this question make it difficult. Acceptance is a fancy way of saying a signature from both parties, the procurement statement of work is simply what you will be purchasing. The buyers' signature is required, but not enough. The address of the buyer is not necessarily required.

44. B  
PMBOK Guide - Conduct procurements where you would find bidder conferences. Expect a number of questions where you have to know which process a tool or technique is from.
45. A
The seller does not have the choice to simply start over. The existing contract is binding and cannot be nullified by a single party.

46. C
Remember, the objective is to select the answer that is best. The best answer in this case in increase loyalty to the project. A common problem with contracting is that when it is not centralized there is very little loyalty to the project.

47. D
This is an example of setting a deadline where the negotiations would end.

48. A
To answer this question you need to know what a records management system is and that it would not be used to keep track of negotiations. The negotiations process is not a document.

49. B
Remember, unless otherwise specified you are always the buyer. In a firm fixed price contract the costs will theoretically be lower unless there is significant scope change.

50. C
There is no guarantee that the risk rating for the project has changed because of the closed project. You should have already ensured the seller is only delivering against the contract. So no additional work or resources are valid. The only thing that makes senses is that you need to audit the cost submittals because this is a cost reimbursable contract.

51. C
Unlike a cost plus contract, in a firm fixed price contract you have no idea how much of the firm fixed price is profit.