

**BONNEVILLE PURCHASING INSTRUCTIONS  
APPENDIX 4-A**

**PURCHASING AND ASSISTANCE  
MANAGEMENT EVALUATION AND REVIEW**

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**SECTION 1 INTRODUCTION TO THIS GUIDE.**

**1.1 Purpose of the Guide.**

The purpose of this guide is to describe the approach and methodology of the HCA for oversight of purchasing and financial assistance activities by BPA.

**1.2 Objective of HCA Review.**

(a) The most tangible view of policy implementation can be found in an organization's work processes and systems. The objective of the HCA review is to assure that adequate business systems and processes are in place, documented and supported to satisfactorily implement purchasing policy as set forth in the BPI and financial assistance policy as contained in the BFAI.

(b) It is imperative that purchasing operational systems and processes result in purchases that provide the internal client with--

- (1) A quality product or service;
- (2) A price that is the best-buy, considering lowest total cost of ownership and the lowest possible organizational cost; and
- (3) A delivered product or service within timeframes required by the client.

(c) The HCA looks at purchasing and financial assistance work processes and systems from three perspectives:

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- (1) Internal client focus and support (Section 2 of this Guide);
- (2) Purchasing (and financial assistance) staff development and management (Section 3 of this Guide); and
- (3) Business system and process management (Section 4 of this Guide). Inasmuch as systems and processes define and guide how work is accomplished, these will be a primary focus of the review.

**1.3 Review Process and Frequency.**

(a) The emphasis of the review process is on self-assessment and process improvement by the purchasing organization. The review team examines the extent to which the purchasing organization uses a systematic approach to document, measure and improve its systems and processes, and the degree to which such systems and processes provide, through sound business practices of its employees, excellent client service that complies with policy.

(b) The assessment is made with the active participation of the reviewed purchasing organization, under the guidance of a the HCA Procurement Analyst. The review team will generally consist of the HCA Procurement Analyst, Procurement Analyst(s) from purchasing operations, and journeyman-level buyer(s)/commodity manager(s) who are experienced, trained, and knowledgeable in the subject matter of the reviewed purchasing organization.

(c) The review process will generally be conducted as follows:

(1) The HCA will coordinate and schedule the review, appointing review teams based upon recommendations of the responsible purchasing manager(s).

(2) No formal entrance meeting, except for an informal visit with the purchasing manager(s) of the organization to be reviewed.

(3) The review team will conduct its review using the criteria found in Sections 2, 3 and 4 of this Guide, examining the processes and systems used by the reviewed purchasing organization and its manager(s). The review methodology will consist of interviews with employees and manager(s); examination of established process documentation, performance measurement, analysis and process improvement techniques; and review of selected purchasing and financial assistance files. The findings from this process will be used to make a preliminary assessment of established organizational processes and systems.

(4) Following completion of the initial data gathering process, team members will prepare a list of findings for discussion and resolution among the team members. The list will include findings of strengths, areas for improvement, and significant "lessons learned" as a result of the review.

(5) The review team will hold an informal meeting with staff and manager(s) of the reviewed purchasing organization to discuss and validate its observations and findings. This is a particularly valuable opportunity to collaboratively involve purchasing staffs in potentially valuable lessons learned, and promotes continuous process improvement through self-assessment.

(6) An exit briefing will be held with the purchasing manager(s) of the reviewed organization, and others, as appropriate, based upon the findings. The HCA may attend the exit briefing.

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The exit briefing may be held at the conclusion of the review. It could, however, be held later, after the draft report is issued.

(7) A draft written report will be issued for comment. Such report will utilize a "lessons learned" format rather than a large number of recommendations. However, significant findings may result in recommendations.

(8) A final report will be issued. Written responses are not required.

(d) The frequency of HCA review of purchasing and assistance organizations will be on an approximate two-year cycle, with an informal follow-up on the year following the review. To the degree that self-assessment methodology(ies) has been successfully implemented, the intensity of this review process will be adjusted accordingly. Additional "for cause" reviews may be conducted, as necessary.

#### **1.4 Definitions Used In This Guide.**

"Actionable" means that the analysis provided information that can be used for priorities and decisions leading to allocation of resources.

"Benchmarking" means the continuous, systematic process for evaluating products, services or work processes of organizations that are recognized as representing best practices for purposes of organizational improvement, and the continuous search for excellence through comparative analysis followed by process improvement.

"Best-buy" means (as defined in BPI 1.1 and 11.11.1 and Clause 11-3, Considerations in Making Awards) a determination made by the Contracting Officer in making an award by comparing attributes of interest, such as total cost to BPA, technical and management features, relative quality and adaptability of supplies or services, the offeror's financial responsibility, skill, experience, record of integrity, ability to furnish repairs and maintenance services, the time of delivery or performance offered, past performance, and whether the offeror can comply with the specifications or demonstrate capability to perform the statement of work. BPA may consider other attributes without notification to the offerors if review of the proposals or BPA program needs raise relevant new issues.

"BFAI" means Bonneville Financial Assistance Instructions.

"Internal client" as used in this Guide means the recipient BPA organization of a purchase or financial assistance product or service.

"Process" means a sequence of activities that produces or manipulates data or physical materials, adds value to distinctive business outcomes (work products), can be performed by one or more individuals or teams of people, is triggered (started by one or more events), and consumes resources.

"Process Improvement" means actions taken to eliminate processing steps that cause delay, waste, error, or fail to add value to the final product or service, which when eliminated provide the opportunity to drive the process to a new, higher level of performance.

"Process Management" means the planning and executing of activities necessary to sustain high quality process performance, identify opportunities for improving client satisfaction, and reducing costs.

"Process Owner" means the manager with responsibility for the performance of a business process. The individual that coordinates the various functions and work activities of a process,

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has the authority to make changes in the process as required, and manages the process end-to-end so as to ensure optimal overall performance. The process owner must also be able to anticipate business changes and their impact on the process.

“Process Performance” refers to how effectively and efficiently a particular process satisfies client requirements. The actual performance of a process should be measured and documented under normal operational conditions.

“Quality” means a product or service whose features and characteristics conform to predetermined requirements or standards, and satisfies a clients’ needs. Client requirements in the context of this Guide must meet established governing legislation, regulations, and organizational policies.

“Supplier” means the provider of purchased goods and services.

“System” means a tool which facilitates the execution of all or a portion of one or more processes. An example is the use of software (system) to automate the execution of a computational or data base management process.

“Lowest total cost of ownership” means the lowest overall cost of the contractual relationship with a vendor over time or best value. It considers the cost of the vendor’s initial price offer plus the cost of quality plus the cost of service over the term of the business relationship. The use of “lowest total cost of ownership” is often a consideration in selection of a key vendor for a long-term business relationship, such as a partnering agreement. As an example, selection of an alliance partner is usually based on a documented track record of the vendor in establishing and maintaining a continuous improvement culture, organization, and process for achieving quality products/services (such as, 100 percent usable as received); cost reductions over time; and performance in accordance with terms of such agreements.

“Lowest possible organizational cost” means the optimized, lowest, most efficient organizational cost of operation (direct labor, overhead, and other allocable costs of operation) to provide output for its clients that meets the clients’ needs in terms of quality, timeliness, and best value.

**SECTION 2 INTERNAL CLIENT FOCUS AND SUPPORT.**

This Section defines and explains in greater detail the set of client focus and support processes and systems to be reviewed.

**2.1 Client Focus.**

The review team examines how the purchasing work force and management focuses its efforts to develop, maintain and improve working relationships with clients that add value to the client.

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**2.1.1 Client Service Standards.**

**REVIEW:**

- (1) Client-Responsiveness Service Standards: Process to develop, set and use client-responsiveness service standards for purchasing employees (responsiveness as defined by the client);
- (2) Deployment of Service Standards: How service standards, including measures and performance levels, are deployed by client-contact purchasing employees; and
- (3) Tracking Service Standard Performance: How the performance of the overall service standards system is tracked.

**2.1.2 Client Access to Information and Assistance.**

**REVIEW:**

Process to provide client service, which promotes ease of client requisitioning and client access to information, to seek assistance, to comment, and to give praise or complain.

**2.1.3 Client Collaboration.**

**REVIEW:**

Process to promote and recognize teamwork, cooperation, and problem-solving collaboration with clients.

**2.1.4 Client Feedback, Follow-up and Problem Resolution.**

**REVIEW:**

Process to seek feedback on recent products/services/transactions and follow-up process to ensure complaints and feedback are resolved effectively and promptly to the satisfaction of the client.

**2.2 Client Needs Determination, Planning and Strategy.**

The review team examines how the purchasing work force and management interacts with the client to determine near-term and longer-term requirements and expectations of client.

**2.2.1 Current Needs.**

**REVIEW:**

- (1) Current Needs Determination: Process to determine client current and near-term purchasing requirements and expectations, including how client information is collected, frequency and method of collection, and validation;
- (2) Data Use by Buyers: Process used by buyers to plan and coordinate purchasing actions with client. How useful is data collected? How is it used by purchasing employees? Are specific requirements of client groups aggregated for possible combination, effective ordering methods?; and

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(3) Client Feedback: Process which utilizes client feedback to assess effectiveness of current and near-term purchasing processes in meeting the client's needs (in terms of client defined timeliness, quality, service, including complaints and positive feedback received, as well). Identify how client feedback is used to better meet client's current and near-term needs.

#### **2.2.2 Future Needs.**

##### **REVIEW:**

(1) Future Needs Determination: Process to determine client long-term requirements (beyond current fiscal year) and client expectations, including how client information is collected, frequency and method of collection, validation and time horizon used to best fit client's ability to project future needs;

(2) Data Use by Buyers: Process used by buyers to plan and coordinate purchasing actions with client. How useful is data collected? How is it used by purchasing employees? Are specific requirements of client groups aggregated for possible combination, effective ordering methods? What other factors are considered in future planning--such as technological, competitive, environmental, economic, or demographic factors--that may bear on client requirements, expectations, preferences, or alternatives?; and

(3) Client Feedback: Process which utilizes client feedback from planning process--such as client defined standards and expectations of timeliness, quality, and service, complaints--as quality process improvement feedback and measurement data to improve process for determination of client needs. (Note: See Section 4.1 Process Management).

#### **2.3 Client Satisfaction Determination.**

The review team examines how the purchasing work force and management assess client satisfaction with purchasing systems to provide goods and services that meet needs and expectations, as defined by the client, in terms of timeliness, quality and reasonableness of total cost-of-ownership.

##### **2.3.1 Timeliness and Effectiveness.**

**REVIEW:** Process to assess client's degree of satisfaction with timeliness and effectiveness, as defined by client, of the purchasing process to provide--

- (1) On-Time Delivery: Delivery of products or services on time to meet client needs;
- (2) Planning Activities: Establishment of lead times and purchasing process milestones; and
- (3) Purchasing Status Communications: On-going communications with purchasing staff throughout the purchasing cycle on lead-time and milestone status.

##### **2.3.2 Quality, Best-buy, and Total Cost-of-Ownership.**

**REVIEW:** Process to assess client's degree of satisfaction with the purchasing process to provide quality goods and services on a "best-buy" basis with consideration of total cost-of-ownership.

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**2.3.3 Service / Partnership.**

**REVIEW:** Process to assess client's degree of satisfaction with purchasing office service to the client in terms of--

- (1) Responsiveness to Client: Responsiveness as defined by the client;
- (2) Cooperation and Teamwork: Systems in place to assure team work and cooperation from the purchasing office; and
- (3) Communication Effectiveness: Effectiveness of communications with the purchasing office to obtain information and solve problems.

**SECTION 3 EMPLOYEE INVOLVEMENT AND DEVELOPMENT.**

This Section defines and explains in greater detail the set of human resource development and management processes and systems to be reviewed. The review team examines how the work force is enabled to develop its full potential to pursue the company's strategic business objectives. Also examined are the organization's efforts to build and maintain an environment for quality conducive to full participation and organizational growth.

**3.1 Employee Involvement.**

**REVIEW:**

- (1) Communication of strategies, goals and objectives: System to communicate corporate and organizational strategies, goals, and objectives to employees;
- (2) Employee Contribution: System which promotes ongoing employee contributions in establishment of organizational strategy and improves quality and operational performance;
- (3) Purchasing Employee Work Teams: System to use purchasing work teams to involve employees in resolution of organizational issues;
- (4) Cross-Functional Work Teams: System to use cross-functional work teams to involve employees in resolution of broader corporate issues;
- (5) Performance Measurement of Employee Involvement: System, which measures performance of above programs/systems. (Note: See Section 4.1 Process Management).

**3.2 Employee Development.**

**REVIEW:**

- (1) Employee Education / Training and Professional Development: Process to assess employee education / training needs and develop education and professional development programs to meet those needs;
- (2) Education / Training, Career and Warrant Requirements: Process to align employee education / training program with corporate strategies, career opportunities and warrant attainment requirements;
- (3) Career Opportunities: Process / systems to create opportunities to expand employees skills beyond those required for current assignments; and



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(4) Performance Measurement of Employee Education and Training: System which measures performance of above programs / systems.

**SECTION 4 BUSINESS SYSTEM AND PROCESS MANAGEMENT.**

This Section defines and explains in greater detail the set of organizational business systems and processes to be reviewed.

**4.1 Process Management.**

The review team examines how organizational work processes are developed and maintained.

(1) Process Development, Ownership and Documentation: Procedure to develop work processes (identify inputs, outputs, contributors and their responsibility, linked tasks to achieve desired result, and basis to measure results), identify work process owner (someone accountable for how well process performs and has authority to modify process), and document process (procedures, work tasks, and training requirements, measurement, critical success factors and key dependencies of the process);

(2) Process Measurement: Procedure to gather measurable data for assessment of process performance;

(3) Process Assessment: Procedure to analyze measurement data to assess attainment of process critical success indicators and other comparative basis of assessment; and

(4) Process Improvement: Procedure to identify and implement process improvement changes.

**REVIEW:**

(1) Internal client focus and support processes and systems.

(2) Purchasing staff development and management processes and systems.

(3) Business systems and processes.

**4.2 Decision-Making.**

The review team examines the speed, efficiency, and quality of the decision making processes.

**REVIEW:**

(1) Actionable Data and Analysis to Support Decisions: Process to gather and analyze data, as necessary, to support sound decision making;

(2) Empowerment to Make Decision at Lowest Level: Process to establish guidelines which communicate, support and reinforce informed and responsible decisions at the lowest organizational level, commensurate with sufficient experience, training, authority, responsibility and accountability for quality of decisions; and

(3) Timeliness and Collaborative Involvement: Process to reinforce sound decision making with collaborative involvement of client and other cross-functional work teams essential to the decision, as necessary, which result in timely, effective solutions to client's needs and demonstrate the exercise of sound business judgment.

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**4.3 Management Reviews and Controls.**

The review team examines how management feedback and follow-up systems are utilized to monitor and manage purchasing operational performance and support informed decisions.

**REVIEW:**

(1) Management Feedback Systems: Systems to determine type and frequency of data, reports, statistical information, comparisons, analyses, feedback (employee, client, managers, and other) essential for monitoring attainment or deviations and impediments to attainment of operational performance results and successful accomplishment of organizational goals and objectives; and

(2) Management Follow-up Systems: Systems to request and receive data and information to make informed decisions.

**4.4 Automated Systems and Tools.**

The review team examines how the purchasing work force and management focuses its efforts to use, develop, evaluate, maintain and improve efficiency of work processes and systems through use automation and other tools.

**REVIEW:**

(1) Purchasing and Inventory Management Operating Systems: Systems to facilitate purchasing operations, such as, routine operations data recording, type purchase orders and contract documents, modifications, solicitations, supplier lists, supplier history, commodity and market data, receiving reports, inventorying, etc.;

(2) Management Reporting Systems: Systems to track supplier performance, buyer performance, organizational performance, client related data, social-economic data, demographic data, market data, etc.; and

(3) Decision Assisting Systems: Systems to analyze quotes, discounts, forecasting, comparative, etc.