

State of Michigan
Michigan Procurement Policy Manual

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CHAPTER 5 Pre-Solicitation

5.1 Competitive Solicitation Requirements

The Management and Budget Act, [MCL 18.1261](http://legislature.mi.gov/doc.aspx?mcl-18-1261), (<http://legislature.mi.gov/doc.aspx?mcl-18-1261>), et seq. requires the use of competitive solicitation from the private sector when practicable to efficiently and effectively meet the State's needs. This Chapter describes the requirements for conducting competitive solicitation. Any deviation from the requirements identified in this Chapter must be approved in writing by the Chief Procurement Officer or designee.

5.2 Competitive Solicitation Defined

Competitive solicitation is the formal or informal process of obtaining quotes, bids or proposals from vendors to determine contract award based on factors such as pricing, product cost, supply situation, quality, timeliness, and best value from responsive and responsible vendors. Some of these concepts are defined below:

Best value is determined by analyzing the components of the proposal such as price, quality, expertise, schedule, terms and conditions, product cost, supply situation, timeliness, expertise, Michigan economic impact, environmental and sustainability practices, compliance with labor laws, etc. and identifying the vendor who provides the best overall offer to the State.

A "Responsive" proposal is one that is submitted in accordance with the solicitation instructions and meets all mandatory requirements identified in the solicitation.

"Responsible Vendor" is a vendor that demonstrates it has the ability to successfully perform the duties identified by the solicitation.

If the good or service is in scope of a current State contract, the Purchasing Professional must utilize the contract. If the good or service is not available on a current State contract, the Purchasing Professional must obtain the good or service by utilizing one of the solicitation methods identified in Section 5.3.

Depending on the purchase, the solicitation method may be informal or formal, but must always be conducted in an open and fair environment that promotes competition among potential contractors. The competitive solicitation methods required for purchases made pursuant to MCL 18.1261, et seq. are identified in Section 5.3.

5.3 Competitive Solicitation Methods

5.3.1 Formal Competitive Bidding

- Posted on Statewide Integrated Governmental Management Applications (SIGMA)
- Request for Proposal (5.4.1)
- Invitation to Negotiate (5.4.2)
- Competitive Proof of Concept (5.4.3)
- Geographically-Disadvantaged Business Enterprise Mandatory Minimum (5.4.4)
- Must obtain a minimum of 1 bid or proposal

5.3.2 Informal Competitive Bidding

- Posting on SIGMA not required
- Request for Quote (RFQ) (5.5.1)
 - Reasonable effort must be made to obtain 3 viable quotes
- Request for Quote - Michigan Supplier Community Program (MiSC) solicitation (5.5.2)
 - Must obtain 3 viable quotes
- Direct Solicitation (5.5.3)
 - Contact must be made with all vendors that provide the good or service.

5.3.3 Alternative Competitive Bidding

- Posting on SIGMA not required
- Verbal, Electronic, or Online Method (5.6.1)
- No minimum quote requirement; however, due diligence is encouraged to ensure best pricing is obtained including obtaining multiple bids when practicable.

5.3.4 Competitive Solicitation Method Requirements Based on Dollar Value

Anticipated Value	Solicitation Type	Formal Competitive Bidding	Informal Competitive Bidding	Due Diligence
Greater than \$50,000	Direct Solicitation	Acceptable Alternative	Required	N/A
Greater than \$50,000	Request For Proposal/ Invitation To Negotiate	Required	N/A	N/A

Anticipated Value	Solicitation Type	Formal Competitive Bidding	Informal Competitive Bidding	Due Diligence
Greater than \$50,000	GDBE Mandatory Minimum	Required	N/A	N/A
\$5,000.01 - \$500,000	RFQ-MiSC	N/A	Required	N/A
\$5,000.01 - \$50,000	RFQ	Acceptable Alternative	Required	N/A
Less than or equal to \$5,000	Alternative Competitive Bidding	Acceptable Alternative	Acceptable Alternative	Encouraged
Low or no cost	Competitive Proof of Concept	Required	N/A	N/A

5.4 Formal Competitive Bidding

Formal solicitations must be posted on the SIGMA system, unless written approval is obtained from the Chief Procurement Officer or designee. The three types of formal competitive bidding methods are as follows.

5.4.1 Request for Proposal

A formal competitive bidding process (posted, as identified in Chapter 7, Section 7.2.2., on SIGMA). The Request for Proposal (RFP) may be designed in a manner that provides the vendor with the specific goods or services needed, and a request is made for pricing, or designed in a manner that identifies critical business and technical requirements. A responding vendor must provide their qualifications, an approach, details about the solution, and pricing information.

5.4.2 Invitation to Negotiate

A formal competitive bidding process (posted on SIGMA for at least 7 calendar days) used when the purchase of the good or service is proprietary in nature, is based on compatibility with existing infrastructure, or on a licensing exclusivity.

Examples include, but are not limited to, situations where the vendor is the only vendor holding the license, patent, copyright or trademark allowing them to provide the commodity or service; where the vendor has exclusive rights to the manufacturing, distributing, or selling of the good or service; where the warranty, repair or maintenance rights are limited to a selected vendor pool; or where a

proprietary item is required and the compatibility of equipment, accessories, or replacement parts is the paramount consideration.

This method is intended to advise vendors of the State's desire to purchase and provide an opportunity to enter into negotiations with the State. A contract award will be based on a vendor's ability to meet mandatory minimums, such as the legal rights to sell a product or service.

Written approval must be obtained from the Chief Procurement Officer, or designee, prior to using this solicitation method. Approval to use this method will be based on business requirements, factors considered in award recommendation, and detailed assessment to establish fair and reasonable pricing.

5.4.3 Competitive Proof of Concept

A formal competitive bidding process (posted on SIGMA for at least 7 calendar days) to solicit proposals from prospective suppliers to perform a proof of concept for a good or service that the State wishes to try out before fully implementing. This method is used when the purchase can be tested or given a "trial" run, at low or no cost to the State.

The State may select one or more of the submitted proposals and award a contract to cover the proof of concept period. The State's solicitation materials may also disclose that the resulting proof of concept contract may evolve into a separate, full implementation contract at the State's discretion.

Examples include, but are not limited to, situations where agencies wish to try several off-the-shelf options over a period of time before deciding which option to fully implement. Alternately, an agency may have a general idea of a product or service needed and may wish to give suppliers an opportunity to propose solutions that may be tested in practice.

Written approval must be obtained from the Chief Procurement Officer, or designee, prior to using this solicitation method. Approval to use this method will be based on how the requirements fit into a larger overall program, any actions taken or to be taken to foster competition for the good or service, and whether this method represents an effective and reasonable option for obtaining a solution to meet the State's needs.

5.4.4 Geographically-Disadvantaged Business Enterprise Mandatory Minimum

The Chief Procurement Officer, at their discretion, may declare that particular categories of contracts, specific contracts, or contracts in certain geographical areas must include a mandatory minimum that potential suppliers be Geographically-Disadvantaged Business Enterprises (GDBE) to be able to respond to the solicitation.

The Chief Procurement Officer will meet with Central Procurement Services management quarterly to review upcoming solicitations and determine which solicitations should have the GDBE mandatory minimum. Focus will be given to contracts in fields where Central Procurement Services knows there is a substantial GDBE vendor base and to contracts that primarily service the geographical areas GDBEs are based in.

5.5 Informal Competitive Bidding

Informal solicitations do not have to be posted on SIGMA; however, SIGMA should be utilized whenever practical. There are three types of informal competitive bidding methods:

5.5.1 Request for Quote

A Request for Quote (RFQ) is an informal process used to determine fair and reasonable pricing for the purchase of a good or service. The Purchasing Professional must make a reasonable effort to contact a minimum of three viable vendors that provide the good or service, and obtain viable written quotes (e.g., fax, email, mailed, online). The written quotes must describe the good or service being purchased, deliverables, applicable milestones, and payment stream.

5.5.2 Request for Quote – Michigan Supplier Community Program

An informal process used when purchasing a good or service from a vendor registered in [SIGMA Vendor Self Service \(VSS\)](http://www.michigan.gov/SIGMAVSS) (<http://www.michigan.gov/SIGMAVSS>). that meets the requirements of the Michigan Supplier Community Program (MiSC).

A vendor that participates in MiSC must be a Michigan business as defined in [Public Act 431 of 1984, Section 18.1268](http://www.legislature.mi.gov/(S(c13h1kbq20s55actgzh2udm))/mileg.aspx?page=getObject&objectName=mcl-18-1268) ([http://www.legislature.mi.gov/\(S\(c13h1kbq20s55actgzh2udm\)\)/mileg.aspx?page=getObject&objectName=mcl-18-1268](http://www.legislature.mi.gov/(S(c13h1kbq20s55actgzh2udm))/mileg.aspx?page=getObject&objectName=mcl-18-1268)). A vendor must also be a:

- Small business with less than 500 employees and annual revenues less than or equal to \$25 million or
- Michigan veteran-owned or service-disabled veteran-owned business or
- Michigan recognized Community Rehabilitation Organization as detailed in [Public Act 431 of 1984, Sections 18.1293 - 1297](https://www.michigan.gov/dtmb/procurement/contractconnect/programs-and-policies/Preferences/community-rehabilitation-organization-set-aside-program) (<https://www.michigan.gov/dtmb/procurement/contractconnect/programs-and-policies/Preferences/community-rehabilitation-organization-set-aside-program>) or
- Michigan Geographically-Disadvantaged Business Enterprise as defined in [Executive Directive 2019-08](https://www.michigan.gov/whitmer/news/state-orders-and-directives/2019/01/04/executive-directive-2019-8) (<https://www.michigan.gov/whitmer/news/state-orders-and-directives/2019/01/04/executive-directive-2019-8>) that meets one of the following criteria:

- HUBZone certified by the Small Business Administration or
- Principal place of business is in a Qualified Opportunity Zone or
- Majority of employees either work or maintain a principal residence within a Qualified Opportunity Zone

The Purchasing Professional must contact a minimum of three viable vendors registered in SIGMA VSS that meet the requirements of MiSC and obtain a minimum of three viable written quotes (e.g., fax, email, mailed, online), unless otherwise approved by Chief Procurement Officer or designee. The written quotes must describe the good or service being purchased, deliverables, applicable milestones, and payment stream. If the product or service is being re-bid, the Purchasing Professional is required to obtain a quote from the current contractor, provided the current contractor is registered in SIGMA VSS and meets the requirements of MiSC. A list of registered MiSC vendors is available on the Procurement SharePoint intranet site.

Written approval must be obtained from the Chief Procurement Officer, or designee, prior to using this solicitation method. Approval to use this method will be based on solicitation complexity. The Chief Procurement Officer or designee may request information regarding method of evaluation or evaluation criteria to assist in the review of the request.

An agency may not use this solicitation method unless at least one person in the agency's procurement office possesses an Achievement in Michigan Procurement (AMP) Level 1A certification. This solicitation method may only be used by a Purchasing Professional working for an agency's procurement office.

5.5.3 Direct Solicitation

An informal process used when the good or service is only available from a select number of vendors. The State may identify those vendors and solicit proposals from them directly, but there is not a requirement to post on SIGMA.

Written approval must be obtained from the Chief Procurement Officer, or designee, prior to using this solicitation method. Approval to use this method will be based on business requirements, factors considered in award recommendation, and detailed assessment to establish fair and reasonable pricing.

5.6 Alternative Competitive Bidding

An alternative competitive bidding method may be utilized for purchases where the anticipated value is less than or equal to \$5,000.

5.6.1 Verbal, Electronic, or Online

A verbal (telephone or in person), electronic (email), or online purchasing method may be used for any purchase less than or equal to \$5,000, that is not on a master agreement, or on a purchase order contract. There is no minimum quote requirement for this competitive bidding method; however, due diligence is encouraged to ensure best pricing is obtained including obtaining multiple bids when practicable.

5.6.2 Annual Spend Review

The Technology and Reporting Section of Central Procurement Services will issue an annual spend report on all procurement card and direct spend purchases. This data will be analyzed to look for opportunities to consolidate spend through the establishment of new state contracts. Such opportunities will be referred to Central Procurement Services Sourcing Operations.

5.7 Competitive Solicitation Exceptions

Competitive solicitation, as identified in Section 5.3, is required for all purchases, regardless of dollar value, unless one of the following applies:

5.7.1 Emergency Purchase Related to Protection of Public Health or Safety

As permitted by statute, the Chief Procurement Officer has determined that competitive solicitation is not required if the purchase is necessary for the imminent protection of public health or safety or to mitigate an imminent threat to public health or safety. Approval by the State Administrative Board is not required; however, the agency is required to report in writing to the Administrative Board within thirty (30) days of the purchase. An emergency purchase less than or equal to \$5,000 (see Section 5.6) or from an existing state contract does not need to be reported to the Administrative Board.

The Chief Procurement Officer or designee must approve any emergency purchase over \$50,000 related to the protection of public health and safety.

See MCL 18.1261(3)(a).

5.7.2 Emergency Repair or Construction

Competitive solicitation is not required if the purchase is for emergency repair or construction caused by an unforeseen circumstances and is necessary to protect life or property. Approval by the State Administrative Board is not required; however, the agency is required to report in writing to the Administrative Board within thirty (30) days of the purchase. An emergency purchase less than or equal to \$5000 (see Section 5.6) or from an existing state contract does not need to be reported to the Administrative Board.

See MCL 18.1261(3)(b).

5.7.3 Declared State of Emergency or State of Disaster

Competitive solicitation is not required if the purchase is in response to a declared state of emergency or state of disaster and identified in the Emergency Management Act, 1976 PA 390, MCL 30.401 to 30.421; 1945 PA 302 MCL 10.31 to 10.33; or 1982 PA 191, MCL 10.81 to 10.89. See MCL 18.1261(3)(c)(d)(e) Approval by the State Administrative Board is not required; however, the agency is required to report in writing to the Administrative Board within thirty (30) days of the purchase. An emergency purchase less than or equal to \$5000 (see Section 5.6) or from an existing state contract does not need to be reported to the Administrative Board.

5.7.4 As Otherwise Provided by Statute/Provider of Funds

Competitive solicitation is not required if a statute, or the provider of the funds for the good or service, imposes clear and specific restrictions on the use of the funds in a way that requires that the State contract with only one vendor.

5.7.5 Cooperative Agreements and Other State Contracts

As approved by the Chief Procurement Officer, or designee, the State may sign a participating addendum or similar document to participate in a competitively bid cooperative contract. Such a contract must contain a provision allowing for other entities to join the contract and the underlying solicitation must have language notifying bidders that the resultant contract is subject to purchases by other entities, or the State must have cooperated with the issuing entity at the outset of the competitive solicitation. The use of General Services Administration (GSA) contracts must be approved by the Chief Procurement Officer or designee.

5.7.6 Existing State Contract

An existing contract may be amended to add a good or service that is reasonably related to the goods or services initially purchased. Increasing the amount of goods or services obtained through a contract, expanding the number of agencies served, and adding goods or services to extend the useful life of a previous purchase are non-exhaustive examples of what may be considered reasonably related to the initial purchase. The Chief Procurement Officer, or designee, must approve any amendments made pursuant to this provision.