Procurement Guidelines
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ICANN Procurement Guidelines

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1. Purpose for ICANN's Procurement Guidelines

ICANN is a public-benefit nonprofit corporation dedicated to preserving the Internet's operational stability, promoting competition, achieving broad representation of global Internet communities, and developing policy appropriate to ICANN's mission through bottom-up consensus-based processes. ICANN's multi-year strategic plan and annual operating plan call for performing a number of complex organizational activities to achieve these goals. This requires significant resources.

Generic top-level domain (gTLD) registrants (via generic registries and registrars), country code (cc)TLD operators, and Regional Internet Registries, provide the funding for ICANN. ICANN seeks to use these funds wisely in all aspects of financial and operational management.

The purpose of these Procurement Guidelines is to help ICANN's management attain best purchasing practices, consistently applied, and to ensure that products and services are purchased with the correct specifications, at the appropriate level of quality, and for appropriate value.

The Procurement Guidelines help support ICANN's principles of openness and transparency by ensuring that vendors and service providers are selected fairly and objectively with the highest ethical standards and appropriate levels of disclosure.

2. General Guidelines

ICANN's Procurement Guidelines help ICANN accountability and transparency. The Guidelines help ensure that funds are spent wisely while adhering to principles of fiscal responsibility. The following general guidelines are to be considered:

- Purchases are driven by ICANN's mission, current three-year strategic plan, and the current fiscal year Operating Plan.

- Purchases are made in compliance with ICANN's bylaws and adopted policies.

- Purchases are compliant with the ICANN disbursement policies adopted in February 2008. See http://www.icann.org/en/financials/finl_control-signing_authority.htm or such other polices as migh be formally adopted later. The disbursement policy established disbursement rules including that all disbursements are approved by at least one Officer, two Officers if over $50,000, three Officers if over $100,000, and the Board of Directors if over $500,000.

- Procurement processes leverage best practices in purchasing including competitive bidding and deploying negotiation skills to extract appropriate value where appropriate.

- Procurement processes follow principles of fairness in selecting providers by ensuring that significantly large or strategically important contracts that are open for competitive proposals are known by potential providers.

- Procurement processes also follow principles of fairness by ensuring that selection criteria including scorecard development, weighting and evaluation of proposals are performed rationally and are based on objective criteria.

- Selection procedures are established in advance of any specific decisions to ensure that an appropriate balance is struck among fairness, maximizing value of contracts, and operational efficiency. This includes understanding why some vendor or provider agreements are exempt from a public procurement process.

- Reporting on procurement decisions is grounded in principles of openness and transparency as appropriate.

- Procurement documentation is matched with final invoices, and, if appropriate, receiving documentation, to ensure proper internal controls and that payments are made for the right items for the right price.

Procurement processes are designed to be administratively efficient.

3. Guidelines for Vendor and Service Provider Selection

In accordance with procurement best practices, when appropriate, significant procurement decisions are to be based on competitive bidding from qualified providers. The following describes three types of vendor selection processes: (1) Directed Request for Proposal (RFP), (2) Broader Solicitation, and (3) Direct Contracting.

Procurement Methodology	When Recommended?	When Required?
Request for Proposal (RFP) or Request for Quotation (RFQ)	Estimated procurement with the supplier will exceed $50k in the aggregate.	Estimated procurement with the supplier will exceed $150k for an individual purchase or in the aggregate.
Broad Solicitation	Estimated procurement with the supplier will exceed $150k in the aggregate.	Estimated procurement with the supplier will exceed $250k for an individual purchase or in the aggregate.
Individual Direct Contracting	If costs for RFP process exceed potential savings, if appropriate under the circumstances, and when strategic impact of the purchase decision is not critical for ICANN.	Not applicable

3.1 Directed and/or formalized RFP (request for proposal) vendor and service provider selection process

Subject to Section 3.3 below or as otherwise determined by management, the Procurement Guidelines recommend a formal RFP for purchases over $50,000 and require a formal documented RFP process for any purchases which exceed $150,000 individually or in the aggregate.

The following sections describe key vendor selection processes including RFI, RFQ, and RFP:

- **Request for information (RFI).** RFIs are helpful when a complete understanding of the scope of work is not available. The RFI is sent to experts in the area to solicit more information on products or services. Often responses to an RFI clarify scope so that an RFQ or RFP can be sent subsequently.

- **Request for quotes (RFQ).** An RFQ is usually a written document with specifications sent to potential providers to solicit price quotes. Potential providers include suitable, reliable, and trusted providers known by ICANN, as appropriate. RFQs are helpful to obtain competitive bids for a specific item or service. RFQs are used when the requirement specifications are well defined, the product or service is standardized, and/or the purchase is not of a strategic nature. Verbal quotes provided over the phone are a type of RFQ. Typically, the purchase order or contract is awarded to the lowest bid for the purchase of goods/services that best meet the requirements of the RFQ.

- **Request for Proposal (RFP).** An RFP is a written document sent to potential vendors or service providers to solicit proposals for items or services. RFPs typically include, in advance, clarity on the evaluation criteria, of which price may be only one. The RFP process should be clearly described, in advance, so that fairness principles are followed. RFP features that should be considered up front include:

- Method of developing the potential vendor or provider list.

- Prebid conference call to ensure equal information for all vendors or providers.

- Deadlines for proposals.

- Format and structure of proposals; in person, email, or conference call.

- In-person or telephonic presentations.

- FAQs for all venders or providers, and protocols for questions from, and answers to, potential vendors or providers.

- Importance of pricing on the proposal versus other more subjective criteria; consider score card with criteria, weighting and ranking methodology.

- Makeup of evaluation team and each member's roles and responsibilities.

- Level of detail provided in drafting of RFP.

- Documentation required including draft contract and nondisclosure agreement (NDA).

- Pricing terms such as price per hour, price per unit, expected additional costs, not to exceed terms, and expected total costs.

- Contract terms and conditions (e.g., liability limitations, disclosures, warranties, substitution policy).

3.2   Broad solicitation used in vendor and service provder selection process

In certain situations, a broad solicitation approach to vendor and service provider selection is required. Many of the same features of a directed or formalized RFP are to be used, but the development of potential vendors and service providers is expanded more broadly.

- The RFP, and statement of work, is posted on the www.ICANN.org website.

- Actively soliciting interest from prospective venders or service providers by using outreach tools such as advertising, blogging, and emails to lists.

- Community members may be more involved in the development of the RFP itself.

A broad solicitation can be used in the vendor selection whenever it is strategically called for, is recommended for use whenever the estimated purchase contract exceeds $150,000, and is required whenever the estimated contract exceeds $250,000.

3.3   Direct contracting selection process

In certain curcumstances, contracting directly with a vendor or service provider without calling for competitive bidding is appropriate for procurement decisions, such as:

- Emergency situations.

- Specialized professional services including, but not limited to, staff, audio-visual experts,

lobbyists, advisors to CEO or departmental functions, law firms and economists.

- When small or less significant items are required in which the costs to implement competitive bidding outweigh the potential benefits.

- When there is a natural continuation of previous work carried out by the vendor or service provider, and in which competitive bidding would not improve value to ICANN.

- When there is only one potential provider or when the provider has a measurably superior capacity, expertise and/or knowledge, which might be subjectively determined.

- When the incumbent provider demonstrates a clear historic pattern of charging reasonable prices and providing consistently good quality service.

In such circumstances, contracting decisions generally are exempt from any competitive bidding or procurement process requirement. Incumbent providers shall regularly, and no less than every three years or as soon as practicable thereafter, be scrutinized to ensure cost-efficiency and effectiveness. Such review shall be approved by at least one officer in accordance with the matrix of authority as described in ICANN's approved disbursement policy. See http://www.icann.org/en/financials/finl_control-signing_authority.htm.

4. Responsibilities

- **Requesters.** A procurement requestor is usually a staff member requiring a product or service to complete an assigned task. The requester initiates the procurement process by completing a Requisition Form and is responsible for complying with ICANN's Procurement Guidelines.

- **Approvers**. An approver can be a budget owner, a department head, an Officer, or a specialized staff member. Approvers are responsible for the purchase decisions by ICANN. Approval authority for all disbursements is based on ICANN's disbursement policy.

- **Evaluators.** An evaluator is often a management group or experts who assemble to evaluate written or oral proposals from prospective vendors and services providers. Evaluators help ensure that purchase decisions are as objective and as fair as possible, are made in the interests of ICANN, respect ICANN Procurement Guidelines, are evidence-based, and respect principles of fairness in business. Evaluators help support procurement decisions that are made by officers and executive management.

- **Officers.** Pursuant to the guidance of the Chief Executive Officer and President, ICANN Officers are responsible for providing oversight of ICANN's spending activities, and ensuring that the ICANN Procurement Guidelines are adhered to appropriately. Each disbursement is approved by at least one Officer.

- **Chief Financial Officer (CFO).** The CFO, in addition to the responbilities as an Officer, is responsible for establishing, communicating, enforcing, and ensuring compliance with ICANN's Procurement Guidelines. The CFO is also responsible for financial reporting as called for by ICANN's Procurement Guidelines.

- **General Counsel (GC)**. The General Counsel, in addition to the responsibilities as an Officer, is responsible to advise on risk areas to ICANN, negotiate or approve contractual terms, and to ensure, where issues are identified, that processes are followed appropriately including terms of RFPs.

- **ICANN's Board of Directors**. Primarily through the advice of the Board Finance Committee (BFC), the Board adopts and periodically reviews ICANN's Procurement Guidelines. In addition, the Board adopts the annual fiscal year budget, and ICANN's Board of Directors are required to approve any contractual commitment that exceeds US $500,000. See http://www.icann.org/en/financials/finl_control-signing_authority.htm, or such other policies as might be formally adopted later.

5. Reporting Guidelines

Periodic reporting of ICANN's procurement processes is required to honor ICANN's priniciples of openness and transparency. The following list of ICANN's regularly posted reports are examples of such reporting:

- The ICANN Disbursement Policy requires that all significant disbursement activities (over US$100,000) be reported to the Board of Directors through the Board Finance Committeee.

- The IRS Form 990 requires reporting of independent contractors for professional services and for other services.

The CFO is responsible for financial reporting, and thus is responsible for complying with the reporting requirements of ICANN's Procurement Guidelines. All potential vendors and service providers subject to the procurement processes, whether awarded a contract or not, are notified of a procurement decision soon after the decision is made. In coordination with the Board Finance Committee, specific procurement decisions may be be reported more broadly, including through website announcements.

6. Requisition Form

The Requisition Form is a tool to ensure that procurement activities comply with ICANN's Procurement Guidelines. The Requisition Form contains the following sections:

- **Purpose.** This helps ensure that the item or service being purchased is required of the fiscal year Operating Plan and/or has proper justification. Budget and other impacts can be communicated as well.

- **Description of the item**. This helps ensure that all participants in the procurement activity from vendor to Officer are clear on exactly what is being requested, the estimated amount and other important details.

- **Selection process**. This helps ensure that the vendor or service provider selection process is fair and honors ICANN's principles of openness and fairness. It also helps ensure that purchases are value oriented, with a good balance of cost efficiency and appropriate level of quality.

- **Account coding**. This helps ensure that the reporting of purchases is classified appropriately and that the proper budget owner approves of the item.

- **Approvals**. This helps ensure that all involved have reviewed the specific procurement, and that each person's responsibilities are cared for appropriately.

- **Finance only**. This section is for the Finance Department only, and ensures that each disbursement is only made after appropriate approvals. This also helps ensure the appropriate matching of vendor invoices to the orders to purchase as well as, if appropriate, to the documents indicating receipt of goods or services. In addition, this helps ensure that information is set up correctly for transaction processing and ultimate reporting.

Upon completion of the Requisition Form, a copy is sent to the individual responsible for the purchase order or contract negotiation as well as to the office of the CFO.

Exhibit 1 is a blank Requisition Form. Exhibit 2 contains the instructions for completing a Requisition Form. Exhibit 3 is a sample of a completed Requisition Form.

REQUISITION FORM

Purpose of procurement request:

Description of item or service to be procured:

Estimated Amount (in US $):

Selection Process

Process to Select Provider:

Directed RFP	Broad Solicitation	Sole Source

Describe process to be followed for selection:

If Sole Source, describe which vendor and why sole source:

Who is delegated authority for issuing purchase order/executing contracts:

Additional Comments?

Account Coding:

Dept	Cost	Meeting	Functional	EAG
_ _	_ _ _ _	_ _ _	_ _	_ _

I authorize execution of the procurement process as indicated above.

Requested By: _____ Other Approver: _____
Date   Date

1st Officer (if <$50k): _____
Date

2nd Officer (if >$50k): _____
Date

3rd Officer (if >$100k): _____
Date

Finance Department Use Only

Exhibit 1: Blank Requisition Form

REQUISITION FORM

Purpose of procurement request:

Insert reason for requesting the item or service. For example, it is necessary to execute a section of the FY Operating Plan or the service is required to prevent the occurrence of a costly risk.

Description of item or service to be procured:

Describe the specifications of the item or service being requested. For example, the manufacturer name, model number, the # of units, the size/capacity. If it's a service, the expected number of hours. Attach details, brochures, or vendor provided information as necessary.

Estimated Amount:

Include estimated amount in US dollars. If non US$ currency, attach exchange rate and other details. If unknown, leave blank. Indicating not to exceed amount can be helpful.

Selection Process   Place an "X" in the box for the recommended process. See Procurement Guidelines for an explanation of each type.

Process to Select Provider:

Directed RFP	Broad Solicitation	Sole Source

Describe process to be followed for selection:

How will the RFP be organized? How many bidders? How will the bidders be notified? Will there be direct requests or a more open broader solicitation? Will there only be written proposals or interviews as well? What are the criteria for selecting? Who will do the evaluations? How will principles of fairness be implemented?

If Sole Source, describe which vendor and why sole source:

If the vendor will be selected based on sole source, what is the justification? Why this vendor?

Who is delegated authority for issuing purchase order/executing contracts:

Who is being given the authority to execute the procurement process as described and then issue the Purchase Order and/or negotiate a contract? Typically, the budget owner.

Additional Comments?

Do you want to add more comments? Do you want to attach relevant materials?

Account Coding:

16	9310	000	03	00
_ _	_ _ _ _	_ _ _	_ _	_ _
Dept	Cost	Meeting	Functional	EAG

Consult with Finance Dept if Account Coding is not known.

I authorize execution of the procurement process as indicated above.

Requestor should sign below and officers, as many as required, below that.

Other approver could include an area expert / specialized approver such as IT support.

Requested By: _____   Other Approver: _____
Date   Date

1st Officer (if <$50k): _____
At leaast one Officer is always required.
Date

Finance Department Use Only

2nd Officer (if >$50k): _____
2nd Officer signs if over $50k.
Date

3rd Officer (if >$100k): _____
3rd Officer signs if over $100k; attach Board resolution if over $500k
Date

Exhibit 2: Instructions for Completing Requisition Form

REQUISITION FORM

Purpose of procurement request:

Blanket purchase order for the purchase of all Fiscal Year 2010 laptop computers.

Description of item or service to be procured:

Macs and PCs - See attached brochure.

Estimated Amount (in US $): $ 135,000.00

Selection Process

Process to Select Provider:

| Directed RFP | **X** | Broad Solicitation | | Sole Source | |

Describe process to be followed for selection:

Request for Quotes per attached specifications sent to incumbant vendor and two other vendors.

If Sole Source, describe which vendor and why sole source:

N/A

Who is delegated authority for issuing purchase order/executing contracts:

David Conrad, Director of IT

Additional Comments?

Tracking # 124

Account Coding:

16	9311	000	00	00
Dept	Cost	Meeting	Functional	EAG

I authorize execution of the procurement process as indicated above.

Requested By: *Dan Digital*   31-Oct-09   Other Approver: *IT Director*   31-Oct-09
Date   Date

1st Officer (if <$50k): *Chief Financial officer*   1-Nov-09
Date

2nd Officer (if >$50k): *Chief Operating officer*   1-Nov-09
Date

3rd Officer (if >$100k): *Chief Executive officer*   2-Nov-09
Date

Finance Department Use Only

Requisition 1234

Compliant with Guidelines *XW*

Agrees with Disbursement *XW*

Exhibit 3: Example of Completed Requisition Form

7. Flowchart of Procurement Process

Requisition Process

Requisition Form

Requestor completes Requisition Form with description, amt, vendor selection process, etc.

Requisition Form reviewed and approved by Officer(s)

Approved Requisition Form

Copies of of Approved Requisition to Offices of CFO and Genaeral Counsel

Staff delegated purchase responsibility completes procurement process

To Procure-ment Process

Procurement Process

From Requisition Process

Is Cost >= to $250k?

Is Cost >= to $150k

No

No

Yes

Yes

Vendor Selection Sole Source?

RFP Process AND Broad Solicitation is Required.

RFP is required; Broad Solicitation recommneded.

RFP process recommended.

Contract Checklist

Yes

Ensure that reason for sole source is valid and approved by Officer(s)

Report on RFP Process; Copies to Offices of CFO and General Counsel

Procure goods or services based on Guidelines and approved Requisition Form.

Contract Negotiated

To Payment Process

Completed contract checklist; Copies to to Offices of CFO and General Counsel

Payment Process

From Procure-ment Process

Requester receives invoice for products or service.

Requester approves invoice, matches with approved Requisition Form and receiving documentation, as appropriate. Provides coding. Send to Finance.

Signed Vendor Invoice, Approved Requisition Form, and Receiving documentation, as appropriate

Finance verifies approvals, coding, and documentation.
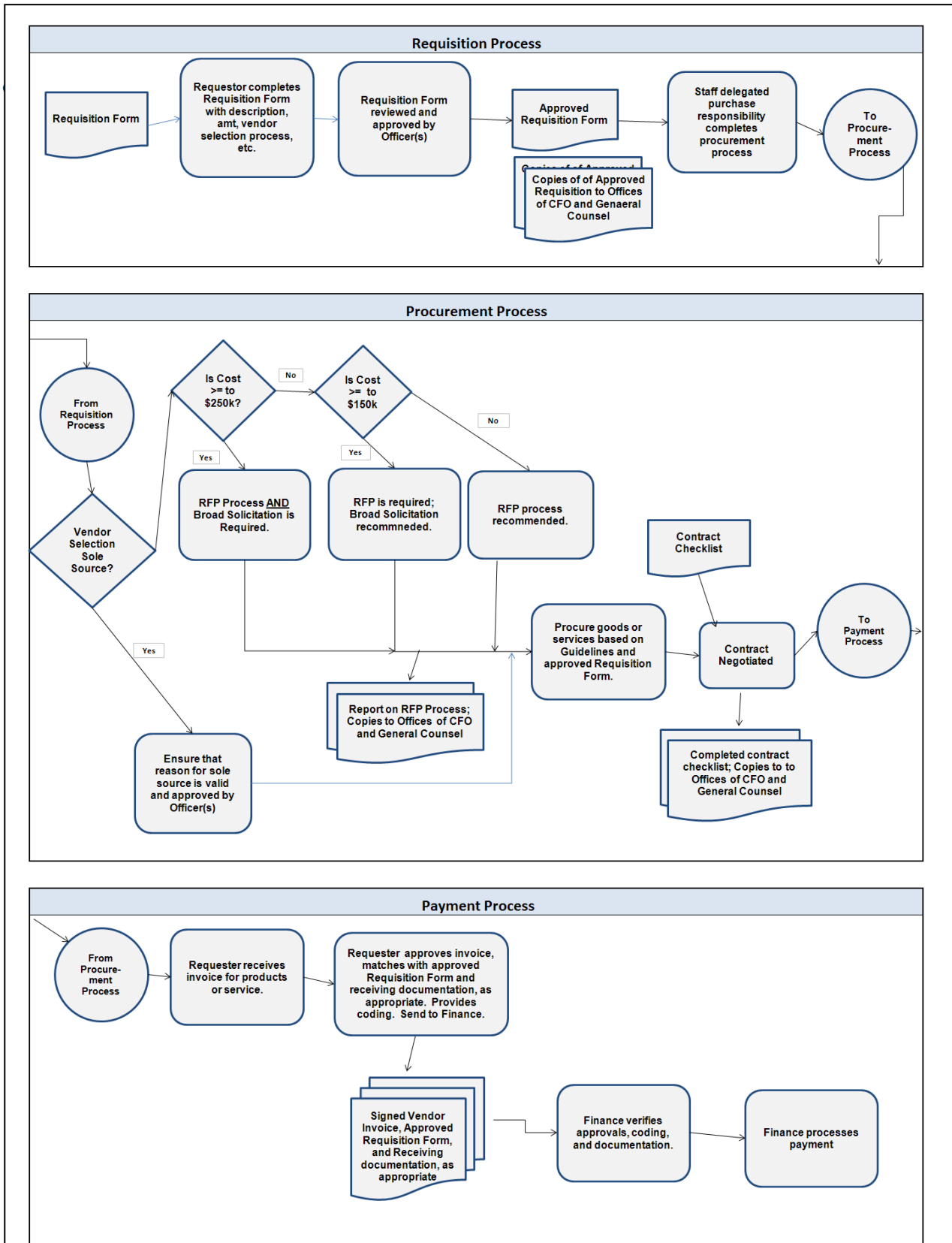
Finance processes payment

Exhibit 4: Flowchart of Procurement Process

8. Contract Checklist

ICANN Agreement Checklist (v5.0)
This checklist must be completed for any agreement with a consultant or vendor.

Name of Contractor or Vendor: _____

Steps	Initials[1]	Date
1. Obtained approval from CEO, COO or other officer with authority to hire consultant or make purchase from vendor.		
2. Prepared NDA and draft consulting agreement, (including Exhibit B) OR reviewed agreement sent from vendor.		
3. Obtained approval from CFO to enter agreement.		
4. Obtained approval from legal to send agreement to consultant or vendor.[2]		
5. Sent draft of ICANN's agreement to consultant or sent revisions of consultant or vendor agreement to consultant or vendor for review.		
6. Obtained further approval from CFO, legal and COO (or other officer) if any revisions have been made to draft sent to consultant.	_____ _____ _____	_____ _____ _____
7. Obtained consultant's signature.		
8. Obtained signature of CEO, COO or other officer with authority.		
9. Sent pdf copies of final signed agreement to consultant, HR (if necessary), finance and legal.		
10. Sent original agreement and this checklist to legal for central filing system.		

[1] Where approval is required the initials should be that of the person providing approval unless other written authority by that person is obtained, in which case the person submitting this checklist may initial. In all other cases, the initials should be that of the individual submitting the agreement and ensuring the steps are followed.

[2] Note: Do not send agreement to consultant/vendor without obtaining the approvals needed in steps 1-4.