

Office of the CGDA, West Block-V, R.K.Puram, New Delhi-66
Pr. IFA Wing

INSTRUCTION NO. 08 OF 2010

No. IFA/406

Dated: 1st June 2010

To

All PCsDA/CsDA/IFAs(Dedicated and Nominated)/RTC

Sub: Checklist for various stages of procurement.

A checklist for various stages of procurement has been prepared by IFA HQ MC (AF), which is in consonance with the provisions of DPM 2009 and other Government instructions issued from time to time.

2. The points involved at various stages of procurement indicated in the checklist are illustrative and not exhaustive and IFAs may apply additional checks depending upon the proposal. A copy of such additional checks/suggestions may also please be sent to Pr. IFA Wing to enable us to review the checklist.

Jt. CGDA (IFA) has seen.


(R. K. Kaul)
ACGDA(IFA)

Copy to:

1. ADG FP AHQ, South Block, New Delhi
2. ACAS (Fin-P), Dte. of Fin. Plg. Vayu Bhawan, New Delhi
3. ACNS (P&P) Naval HQrs., South Block, New Delhi
4. ACIDS (FP), HQrs. CIDS South Block, New Delhi
5. ADGBR, HQrs. BR, New Delhi
6. DDG Coast Guard CG HQrs. New Delhi
7. JS & Addl. FA (A), MoD(Fin.) N. Delhi
8. JS & Addl. FA (S), MoD (Fin.) N. Delhi
9. Jt. CGDA (AT-I), 4. Jt. CGDA (AT-II),
10. Jt. CGDA (AT-III), 6. Jt. CGDA (A & B)
11. Jt. CGDA (Trg.-I),

} for kind information.

12. Sr. Dy. CGDA (EDPS) - with the request to place the circular on the website.
13. Hindi Cell (Local)- for issuing Hindi version.

9d/x—
(R. K. Kaul)
ACGDA(IFA)

CHECKLIST FOR VARIOUS STAGES OF PROCUREMENT

I. Acceptance of Necessity Stage.

(A) Justification for Purchase & Vetting of Quantities.

(i) Whether SOC as per the format given in DPM – 2009 submitted alongwith Annexures 'A' & 'B'.

(A procurement proposal may be processed without linking it with actual availability of funds, if it is certified by the budget holder that there is reasonable certainty of funds becoming available by the time the proposal reaches the final stage of contracting – Para 5.2.5 of DPM – 2009).

(ii) Whether quantity vetted by a specialist officer.

(iii) Whether Demands endorsed by the officer ordering supply with a certificate that the prescribed scales or limits not exceeded (Para 2.2.2 of DPM – 2009).

(iv) A confirmation may be given as to whether the necessary support infrastructure is available for proper utilisation of the proposed item/equipment.

(v) Whether copies of policy page, scale, etc enclosed.

(vi) Whether copies of various other policy letters or correspondence referred to in SOC linked in the file.

(vii) Whether item is to be purchased out of Revenue Head or Capital Head (Items meeting twin criteria of cost of Rs. 10 lakh or above and life of seven years or more are to be purchased out of Capital Head).

(viii) The file may be submitted to IFA through the penultimate CFA.

(B) Sources of Supply & Product Reservation.

be kept in view:-

The following points may

(i) NOC for purchase from trade in respect of items supplied by Ordnance Factories is mandatory (Para 2.4.8 of DPM – 2009).

(ii) It may be verified and confirmed on file whether items are available on DGS&D RC or not.

(iii) It may be verified and confirmed whether items fall in the category of reserved items i.e. items reserved for KVIC (Para 2.5.1 of DPM 2009) or for MSMEs (Para 2.5.2 of DPM 2009). If items do not fall in these categories, a confirmation to that effect may be given in the file.

(C) **Mode of Tendering/Vendor List.**

- (i) Justification may be given in cases of Single Tender Enquiry (STE) (Para 4.4.1 of DPM 2009).
- (ii) Wherever LTE is proposed in cases with estimated value in excess of Rs. 25 lakh, justification be recorded in the file in accordance with Para 4.3.2 of DPM - 2009.
- (iii) Only those vendors be included in the vendor list who are capable to supply the particular item/equipment. Vendor list could include:
 - (a) Vendors approved by AHSP.
 - (b) Locally registered vendors.
 - (c) Unregistered vendors.
- (iv) Vendors be classified as OEMs and authorised dealers.
- (v) Registered vendors need to be registered specifically for the item in question, hence registration certification be checked to verify the items for which authorised.
- (vi) A confirmation may be given that the vendor list has been amplified by checking the yellow pages/sources on internet.
- (vii) All past suppliers and respondents need to be included in the vendor list. If not, reasons therefor may be adduced.

(D) **PAC Items : Check Points.**

- (i) Whether PAC has been signed by an appropriate officer i.e. AOC/CO Unit, CLMO (Command), PD (Air HQrs).
- (ii) Whether PAC is as per the format given in Para 4.5.4 of DPM 2009.
- (iii) PAC is to be issued in favour of the OEM only and not any of his dealers.
- (iv) Even in case of PAC items, quotes be called from the various authorised dealers of the OEM to the extent possible.
- (v) PAC is to be issued also in cases of standardisation of equipment and compatibility with the existing equipment.
- (vi) It may be ensured that PAC is not given for sub assemblies/attachments manufactured by numerous firms.

(E) Estimated Cost.

- (i) Whether estimated cost has been indicated in the format as per Annexure 'A' to SOC (Appx 'B') in DPM - 2009.
- (ii) Wherever LPP is available, date of last purchase with details of SO be also indicated.
- (iii) If estimated cost is based on assessed cost i.e. POV (Professional Officers' Valuation), working sheet showing the basis for working out the assessed cost be enclosed. The assessed cost giving break-up of material cost, labour cost, overheads and profit be placed in the case file duly signed by a Board of officers.
- (iv) In case of Market Survey, proceedings of BOO be enclosed alongwith the names of the vendors contacted and rates offered by them.
- (v) If estimated rates are based on the rates of other organisations, the name of the organisation, date of Purchase Order and quantity purchased be also mentioned apart from the rate.
- (vi) If estimated cost is based on budgetary quotes, the quotes may be enclosed in original.
 - (a) Efforts be made to secure budgetary quotes from at least three vendors and work out the estimated cost based on the lowest budgetary quote.
 - (b) In case of PAC item/STE, budgetary quote be obtained from the OEM/authorised dealer.
- (vii) It may be ensured that budgetary quotes are of recent vintage.

(F) Framing of Specifications.**Points to be kept in view while framing specifications:-**

- (i) No superfluous, unverifiable and non-essential features should be included, only basic and essential needs of the users need to be met. 'Overspecification' will increase the cost and limit competition.
- (ii) Technical specifications could be prepared in two parts i.e. Essential specifications and Desirable specifications. All technical bids meeting Essential specifications should be accepted for opening of price bid.
- (iii) Specifications may be finalised by Technical officers after taking into account different makes/models available in the market. If necessary, a pre-bid conference be held to avoid retendering. **The various commercial terms and conditions such as warranty, payment terms, delivery period, etc may also be discussed with the prospective vendors in the pre-bid**

conference to confirm acceptance of our standard commercial terms and conditions by the industry

- (iv) Standard specifications widely known to the industry be used to the extent possible.
- (v) Specifications should be broad-based to generate competition. (Instead of fixed parameters in respect of rpm, temperature, dimensions, etc, a range should be prescribed to the extent possible with minimum acceptable standards).
- (vi) Specifications should not be sketchy as such specifications may result in sub standard supplies.
- (vii) Where specifications were prepared a long time back, they may be reviewed before floating the RFP to ensure that no items of obsolete technology are tendered. At the same time care should be taken not to base the specifications on the futuristic/emerging technology which is still in its nascent stage. Only contemporary and well-established technologies be considered.
- (viii) While framing specifications, emphasis be laid on efficiency, optimum fuel/power consumption, use of environment – friendly materials, reduced noise and emission levels, low maintenance cost, etc.
- (ix) Every parameter should be judged for inescapability. It should be borne in mind that more stringent the parameters, higher will be the cost.
- (x) Custom made equipment as per own QR should be the last resort. All efforts should be made to purchase equipments available off the shelf.
- (xi) The official/authority formulating the specifications should ensure and also certify that the specifications and the allied technical details are complete and correct to meet the user's requirements fully. (Para 4.3 of Manual on Policies & Procedures for Purchase of Goods')

(G) **RFP Checklist.**

Note: These points must be verified/commented upon by the user/Indenter as well.

- (i) Standard RFP format as per DPM – 2009 be used.
- (ii) Validity of bid should be 120 days for two-part bid i.e. Technical bid and commercial bid and 90 days for a single part bid (Para 4.20.1 (e) of DPM 2009). Longer bid validity period is likely to result in higher quotes.
- (iii) EMD be indicated in absolute terms instead of a percentage of likely contract value. EMD amount from 2% to 5% of contract value may be stipulated in the RFP (Para 4.7.3 of DPM – 2009).

- (iv) Only realistic Delivery period should be mentioned since extension beyond twice the Original DP would require sanction of Ministry of Defence (Para 7.9.5 of DPM - 2009).
- (a) For items with limited shelf life or where huge quantities are involved, staggered supplies i.e. delivery in installments over a period of time be stipulated in RFP.
- (v) Option Clause and Repeat Order Clause may be included in RFP only in exceptional circumstances where the consumption pattern is not predictable (Para 7.13.1 of DPM 2009). Indentor should specify on the file the need for inclusion of these clauses in the RFP.
- (vi) Tolerance clause should not specify a tolerance in excess of 25% (which is the percentage prescribed in DGS&D Manual) since a higher tolerance limit may lead to higher prices.
- (vii) Force Majeure clause may not be included in the RFP as a matter of routine.
- (viii) It may be ensured that the vendors are instructed to specify brand, make and model of the items in their quote.
- (ix) Requirement relating to spares, accessories, installation/commissioning, after sales service, AMC and training be indicated clearly in RFP.
- (x) As regards installation/commissioning, requirements such as civil works, cables and other relevant materials should be taken into account. The Buyer's responsibility for providing various service/material be clearly indicated in the RFP.
- (xi) As regards Training, No. of persons to be trained, No. of days of training and venue be mentioned. (Even if training is to be imparted at the OEM's works no free boarding/lodging offer from the OEM should be accepted).
- (xii) Waiver of Security Deposit in case of MSMEs is to be restricted upto the monetary limit for which units are registered (Para 2.5.2 of DPM 2009). Accordingly, MSMEs be asked to enclose a copy of their registration certificate from NSIC with their Technical & Commercial bids.
- (xiii) The clients' list (both Govt and private sector) may be called for alongwith Technical bid.
- (xiv) Copies of recent Supply Orders placed by other Govt/private sector purchasers may be called for alongwith the commercial bid.
- (xv) Clauses relating to Apportionment of quantities in cases where L₁ is unable to supply the tendered quantity in full be included in RFP (Para 7.15.1 of DPM - 2009).

- (xvi) Warranty demanded in the RFP should be realistic and in accordance with the standard norms acceptable to the market. In case warranty for a period longer than the acceptable norm is demanded, it will not only add to the cost of item but may also reduce competition.
- (xvii) Wherever Indian standards exist for the required goods, the same should be adopted. Preference should be given to procurement of goods with BIS - mark. Specific reasons for deviation from Indian standards or inclusion of additional parameters may be recorded on the file and got approved by the competent authority. Wherever Indian standards are not available, International standards (ISO, etc) be adopted.
- (xviii) No quotes be called by brand name, make or catalogue number of a particular OEM (except PAC cases). If use of brand name is unavoidable, it may be followed by the words 'equivalent'.
- (xix) Tender sample clause should not be incorporated in the specifications. If necessary, suitable stipulations for submission of advance sample (before starting bulk production) by the successful bidder be incorporated in specifications.
- (xx) Requirement of drawings, if warranted, be incorporated in specifications.
- (xxi) Special requirement of packing and marking, if any, be indicated in the RFP.
- (xxii) Inspection procedure for goods ordered and criteria for conformity be laid down.
- (xxiii) Requirements of special tests, if any.
- (xxiv) Requirement of type test certificate, if required.
- (xxv) Requirement of type approval for compliance of statutory requirements with respect to pollution, after sales service, AMC requirements, etc.
- (xxvi) Requirement of technical/operating Manuals, if any required.
- (xxvii) Vendors be asked to quote only one model considered to be the most appropriate by them instead of quotation of multiple models.
- (xxviii) Bid evaluation criteria should clearly specify whether accessories, spares kit, optional items, AMC cost, etc would be taken into account or not for determination of L₁ offer. It should also be indicated whether L₁ will be decided on total contract value or for individual items.

(xxix) Inclusion of Buy back clause, if feasible. Reasons be recorded if buy back clause is not to be included.

(xxx) It may be clearly specified whether invitation of bid is under single bid or two bid system.

(xxxii) Period for which product support is required may be indicated.

(xxxiii) Designated inspection agency and inspecting officer may be specified.

(H) **Indent : Check Points.**

The following details should be there in the Indent:-

- (i) Description of the item.
- (ii) Quantity and denomination.
- (iii) Estimated Price.
- (iv) Specifications. (Vetted copy of the same by respective AHSP be enclosed).
- (v) Scope of Supply.
- (vi) Date by which required.
- (vii) Inspection Authority.
- (viii) Budget Head.
- (ix) Consignee

(Para 1.4.8 of DPM - 2009).

Periodical indents should be prepared covering the requirement for one year or more, except where for reasons of short life or for other recorded reasons it is necessary to procure lesser quantities. (Para 2.2.1 of DPM - 2009).

(I) **Technical Evaluation.**

The following points may be kept in view :-

- (i) Constitution of TEC should be as per Para 4.12.3 of DPM-2009.
- (ii) Report of TEC should be prepared in the prescribed format (Form DPM - 24). Technical evaluation be carried out exhaustively on various parameters.

(iii) If a bidder does not meet a specific parameter prescribed in the specifications, deviation from the specifications be indicated and commented upon in the relevant column of format (Form DPM - 24).

(iv) The following guidelines may be adhered to by TEC:-

(a) No dilution of QRs be made during evaluation of technical bids.

(b) The basic profile/character of technical offer must not be permitted to be changed.

(c) Only clarifications on technical aspects be sought from the vendors; they should not be allowed to offer an alternative model of the basic equipment or any additional necessary/optional item which does not form a part of their technical bid.

(d) No loading/unloading of price should be permitted during TEC's discussion with the vendor.

(e) No conditional offer should be accepted which is not in conformity with the specifications mentioned in the RFP.

(f) If considered necessary, TEC may invite those vendors who meet essential parameters for technical presentation.

(v) TEC is also required to prepare a compliance statement of commercial terms and conditions such as bid security, warranty, etc included in the technical bid as per the RFP (Para 4.12.7 of DPM - 2009).

(vi) TEC must firm up a bill of materials in respect of each vendor before price bid is opened.

(vii) TEC should clearly recommend the names of the vendors whose bids are technically compliant for opening of their price bids.

(viii) TEC report is to be got approved by the CFA before opening of price bid.

(ix) TEC report be submitted to the IFA for examination if so desired by the CFA (Para 4.12.8 of DPM 2009).

(J) **Preparation of Comparative Statement of Tenders (CST).**

The following details may be incorporated in the CST:-

(i) Number of firms to whom RFP floated and the number of firms who quoted.

(ii) All details given in the quotations including terms and conditions, basic cost, levies, taxes etc should be reflected separately against each tenderer.

(iii) Last Purchase Price (LPP), wherever applicable, should be indicated for a fair comparison of the offered prices.

(iv) Landed cost should be considered for determining L-1. However, Octroi/entry tax needs to be excluded from the price for deciding L₁.

(v) It should be indicated in the CST as to whether any of the vendors who have quoted are holding DGS&D Rate Contract.

(vi) CST should be signed by the purchase officer (Para 9.8.4 of DPM - 2009).

(vii) Original quotations, indents and other supporting documents should be submitted alongwith the CST to the IFA for vetting.

(viii) It may be ensured that the commercial bids of only those vendors who have been cleared by TEC are opened and posted in the CST.

(K) **Commercial Negotiations : Checklist.**

(i) The composition of CNC should be in accordance with Para 4.13.4 of DPM - 2009.

(ii) CNC may be headed by an officer one rank below that of the CFA. Commercial negotiations may also be carried out by the committee CFA. (Paras 4.13.3 & 4.13.5 of DPM - 2009).

(iii) Commercial negotiations are to be invariably conducted in case of single tender situations including PAC cases. (Para 4.13.3 of DPM - 2009).

(iv) CNC should evolve methods of benchmarking of price and holding internal meetings to finalise approach for conducting negotiations with the L₁ vendor, if considered necessary by the CFA, in consultation with the IFA. (Para 4.12.10 of DPM - 2009).

(v) The following factors may be taken into account by CNC for establishing reasonableness of price:-

(a) LPP.

(b) Movement of price indices of raw materials, electricity, WPI and statutory changes in wages, etc.

(c) Market intelligence regarding cost of the item or similar items.

(d) Material composition and cost analysis of raw materials.

- (e) Technological complexities involved.
- (f) Whether the items are of current production or otherwise.
- (g) Maintenance requirements.
- (h) Requirement of spares and warranty, etc.
- (i) Competition observed from the response of the trade to the enquiry.
- (j) Estimated value as given in the indent.
- (k) Database maintained on costs based on the past contracts.
- (l) Detailed cost break-up as per format DPM - 25.
- (m) In case of Bought Out Foreign items or indigenous items with substantial import content, Exchange Rate variation since last purchase, if any. (Paras 4.13.6, 13.1.1 & 13.4.1 (c) of DPM - 2009).
- (vi) In case of single tender/PAC cases, rates at which supplies have been made by the vendor to other Depts/buyers in recent past be obtained to ensure reasonability of price.
- (vii) CNC should analyse the following in its internal meeting:-
 - (a) No. of tenders sold vs tenders received.
 - (b) Competition profile in last 3 years.
 - (c) Whether the current contractor is the lowest.
 - (d) Rates of other Services/at other stations.
 - (e) Quantity involved.
- (viii) Negotiation should not confine only to price. Better terms and conditions could be obtained from the vendor if a price negotiation is not possible e.g. longer warranty period, shorter delivery period, absorption of freight, an extra spares kit, extra copies of technical literature, training for an extra set of people, etc.
- (ix) The minutes of CNC should be recorded clearly and expeditiously. CNC should determine L₁ and make unambiguous and specific recommendations giving reason for making the recommendations. All members of the CNC should sign the minutes. (Para 4.13.7 of DPM - 2009).
- (x) Reasons for negotiations and efforts made for arriving at an acceptable price be recorded in the minutes. Views of all members of CNC including the Finance rep be recorded.

(xi) Detailed record of discussions held during the CNC regarding compliance with tendered QRs, price and contract clauses should be prepared and placed on record in the form of the minutes.

(xii) Wherever CFA does not chair the CNC himself, the recommendations of the CNC are to be put up for the approval of the CFA with the concurrence of the IFA.

(Note: CNC minutes could be submitted to the CFA for approval alongwith expenditure angle sanction of the case).

(L) **Expenditure Angle Sanction.**

The following points are to be ensured while processing the case for Expenditure Angle Sanction by the CFA:-

- (i) The officer ordering supply on purchase order needs to certify that prescribed scales or limits are not exceeded (Para 2.2.2 of DPM – 2009).
- (ii) Entire cost of acquisition including taxes, levies, transportation charges, etc is to be taken into account for determination of CFA.
- (iii) In case of purchase on PAC basis, it should be verified that the validity of PAC has not expired (validity of PAC is two years from the date of issue).
- (iv) All terms and conditions mentioned in the RFP as well as those negotiated in CNC should be incorporated in the Supply Order.
- (v) Clauses not incorporated in RFP should not be included in the Supply Order (except force majeure) as it would amount to unfair denial of opportunity to other suppliers (Para 4.8.4 of DPM – 2009).
- (vi) In case of placement of order against a Rate Contract, Supply Order format given in Appx 'F' to DPM – 2009 be used.
- (vii) For supply orders placed against DGS&D Rate Contract, any reduction in the duties such as Excise Duty, Service Tax, etc since the date of commencement of DGS&D Rate Contract may be verified and only reduced rates of duties/taxes be incorporated in the Supply Order.
- (viii) Exemption Certificates for Excise Duty, Custom Duty, etc, if applicable, are to be placed in the file.
- (ix) In case it is a case of local purchase of centrally provisioned items, it may be ensured that intimation regarding the purchase is sent to the central provisioning agency. (Para 2.4.7 of DPM – 2009).

(x) The following documents should be enclosed in the case file while submitting the case for expenditure sanction to IFA/CFA.

- (a) The entire case file upto AON stage including minute sheets in original.
- (b) Proceedings of Tender Opening Board with envelops.
- (c) TTC report duly accepted by the CFA.
- (d) CNC minutes, if any.
- (e) The vendor's letter offering revised rates/terms and conditions subsequent to CNC meeting, if any.
- (f) Draft Supply Order as per format given in DPM - 2009 for vetting by IFA.
- (g) Response to IFA's advice at AON stage duly addressing the issues raised.
- (h) Fund Availability Certificate in the format prescribed in Annexure 'B' to Appx 'B' of DPM - 2009 duly filled up and authenticated.
- (i) Recommendations of the penultimate CFA.
- (j) Copy of draft sanction order as per format prescribed in Appendix 'K' to DPM - 2009.