Contracts and Procurement Terms Every Project Manager Should Know

The Procurement Fieldbook



Buying a service starts with a need

The data-room move needs working access on Monday, not just boxes delivered on Friday.

Procurement

Procurement covers the choices and actions used to obtain outside goods or services. The purchasing transaction sits inside that wider process.

Follow the result

A supplier offers cheap overnight transport. It excludes reconnecting equipment. Price the transport and the reconnection together before deciding whether the offer meets the Monday need.

Define the outcome

Write the service result, the users who need it and the date. Use those facts to frame the request to suppliers.

TAKE IT TO YOUR PROJECT

Name one supplier deliverable and the business result it supports.

Specification and statement of work

A precise description gives bidders something comparable to price.

Define the commitment

A specification states required characteristics. A statement of work describes required work and deliverables. Their detail and relationship depend on the procurement.

Work the example

The specification requires 24 stable desks in named rooms. The statement of work includes transport, assembly and inspection. A quote for unassembled desks leaves a scope gap.

Resolve the gap

Give bidders the same room list, quantities and access conditions. Make exclusions explicit so the comparison includes the same work.

TAKE IT TO YOUR PROJECT

Rewrite one vague requirement as an observable result.

RFI, RFP and RFQ

Choose the request that matches what you still need to learn.

Three different questions

An RFI gathers market information. An RFP seeks proposed approaches to a need. An RFQ requests prices against sufficiently defined requirements. Usage varies between organisations.

At the move

Ask an RFI about secure weekend access options. Use an RFP for an operating-office relocation plan. Once the package is defined, ask for an RFQ for 24 installed desks.

Keep the competition fair

Issue clarifications through the agreed channel. If a requirement changes, assess whether every bidder needs the same updated information and time.

TAKE IT TO YOUR PROJECT

Choose one request type and state the uncertainty it will resolve.

Bid, proposal and clarification

A lower number means little until you understand the basis of the offer.

Read the offer

A bid or proposal is the supplier's submitted offer under the solicitation rules. A clarification explains an ambiguity through the permitted process; it does not automatically amend the offer.

Compare the assumptions

Bid A is $12,000 including night access. Bid B is $10,800 assuming daytime access, with $1,800 extra for nights. On the required basis, B totals $12,600.

Record the comparison

Keep the stated assumptions beside the evaluated price. Follow the applicable process for corrections and negotiations rather than editing a bidder's offer yourself.

TAKE IT TO YOUR PROJECT

List two assumptions that could change your apparent lowest price.

Evaluation criteria and due diligence

Decide what matters before the proposals arrive.

Make the decision visible

Evaluation criteria define how offers will be assessed. Due diligence checks material claims and risks, such as capability, references, insurance and financial resilience.

Use a scoring example

Price has weight 40 and delivery reliability 60. Supplier A scores 90 and 60, giving 72/100. B scores 70 and 85, giving 79/100. Verify the reliability evidence before ranking.

Check mandatory gates

A mandatory security requirement can be a pass/fail condition before weighted scoring. Use the published rules and record the reasons for the result.

TAKE IT TO YOUR PROJECT

Identify a mandatory condition and a weighted criterion for your purchase.

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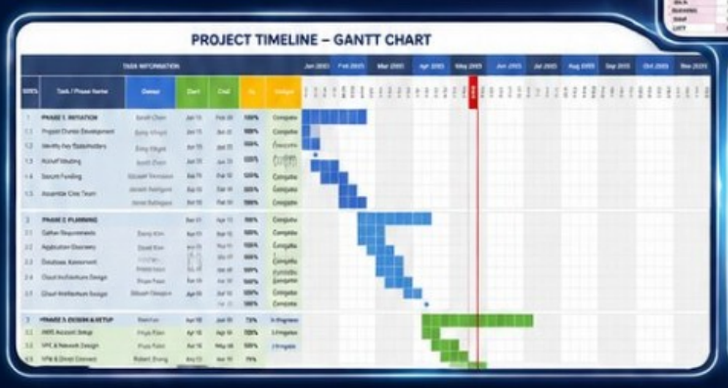
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Award and authority

A project team recommendation still needs an authorised commitment.

Know who can bind

An award communicates the selected commitment under the applicable process. Signature and spending authorities define who may commit the organisation and to what extent.

At the move

The project manager recommends a $45,000 relocation contract. Their delegated limit is $20,000. The procurement lead routes the award through the authorised signer before the supplier starts.

Check the record

Keep the approved offer, agreed terms, authorisation and award notice together. Confirm any conditions that must be satisfied before work begins.

TAKE IT TO YOUR PROJECT

Find the person with authority for your proposed contract value.

Purchase order and invoice

An order records the request; an invoice records the supplier's charge.

Track three records

A purchase order records authorised items, quantities, prices and terms. An invoice requests payment. A receipt or acceptance record provides evidence of what arrived or was accepted.

Reconcile the numbers

The PO orders 24 desks at $500, totalling $12,000 before stated additions. Only 23 desks arrive. An invoice for 24 needs a documented resolution under the agreed terms.

Avoid duplicate payment

Use unique order and invoice references. A supplier's resubmitted invoice should not become a second payment merely because it arrived in a new email.

TAKE IT TO YOUR PROJECT

Trace one invoice to its order and delivery evidence.

Firm-fixed-price

A fixed price still needs clearly defined scope and change rules.

Read the risk allocation

In a firm-fixed-price arrangement, the agreed price generally does not adjust merely because the seller's own costs were higher. Agreed changes and other contract provisions can affect the amount payable.

At the move

The seller quotes $8,000 to assemble the agreed 24 desks. Extra hours caused by its own underestimated effort do not by themselves justify another invoice under this arrangement.

Check exceptions

A buyer-directed addition of six desks raises a different question. Use the scope and change provisions to assess it, and verify applicable terms with the authorised contract owner.

TAKE IT TO YOUR PROJECT

Find which events can change the price in your actual agreement.

Cost-reimbursement

Paying incurred costs requires a rule for which costs count.

Define the basis

Cost-reimbursement arrangements pay allowable incurred costs within contractual limits, with any fee calculated as agreed. Monitoring, records and spending authorisations matter because final cost is uncertain.

At the move

An uncertain server-room remediation package has $20,000 eligible cost and a separately agreed $2,000 fee. With no other adjustments, payment is $22,000.

Control the uncertainty

Agree reporting, cost eligibility, forecast updates and approval thresholds. A cost estimate is not permission to spend indefinitely. The applicable agreement determines the ceiling and notice obligations.

TAKE IT TO YOUR PROJECT

Identify the records that would support an eligible-cost claim.

Time and materials

An hourly rate fixes one part of the price, while hours still vary.

Read the components

Time-and-materials work commonly combines agreed labour rates with material charges under stated rules. A labour-hour arrangement focuses on labour. Check what each rate already includes.

Calculate the charge

A technician works 18 approved hours at $80. Labour is $1,440. Eligible materials add $260. Total is $1,700 before any separately applicable tax or adjustment.

Manage the limit

Use a ceiling, authorised hours, evidence of progress and an approval path for additional work. Check whether supervision or profit is already included in the labour rate.

TAKE IT TO YOUR PROJECT

Calculate one invoice and identify its supporting timesheet.

Unit price and quantity risk

A price per unit needs a reliable measurement rule.

Define the unit

A unit-price agreement pays an agreed amount for each measured unit of accepted work. Both the unit definition and the method for verifying quantities affect payment.

At the move

Cable installation costs $6 per accepted metre. Verified quantity is 320 metres, giving $1,920. A drawing estimate of 300 metres would have suggested $1,800.

Check the boundary

Agree whether the unit covers supply, installation, testing and wastage. Decide who verifies quantity and how disputed measurements are resolved.

TAKE IT TO YOUR PROJECT

Write a measurable unit that two people can count the same way.

Deliverable, milestone and acceptance

These words answer related questions about results and payment.

Separate the triggers

A deliverable is a specified output. A milestone marks a significant point. Acceptance confirms that the relevant contractual criteria have been met under the agreed procedure.

At the move

The installed network is the deliverable. The Monday readiness milestone is a date in the plan. A successful test report and authorised sign-off provide the specified acceptance evidence.

Read the payment clause

A milestone payment may require acceptance or another stated trigger. Reaching a calendar date alone does not establish which amount is due.

TAKE IT TO YOUR PROJECT

Find the exact evidence required for the next payment.

Inspection, rejection and rework

A failed result needs a documented route to resolution.

Compare with criteria

Inspection checks results against agreed requirements. Rejection communicates a failure through the permitted procedure. Rework is activity to bring the result into conformity.

At the move

Three of 24 desks wobble. Record their identifiers, the failed stability test and the observed condition. Ask the supplier to correct them and arrange the required reinspection.

Avoid accidental acceptance

Follow the notice period and authority requirements in the agreement. A project team's informal use of a result may have consequences that procurement must check.

TAKE IT TO YOUR PROJECT

Write a defect record with location, criterion, evidence and owner.

Change order and variation

A changed instruction needs a traceable commercial decision.

Read the procedure

A change order or variation adjusts work or other commitments through the contract's change mechanism. Who may issue it and when a price is agreed depend on the agreement.

At the move

The buyer requests six extra desks. Hardware is $3,000 and installation is $600. The supplier also needs another access slot. Assess the $3,600 and the schedule effect together.

Capture the baseline

Identify the original scope, proposed difference, price basis and time effect. Record the authorised decision and incorporate the agreed revision in the controlled documents.

TAKE IT TO YOUR PROJECT

Follow one change from request to authorisation to updated plan.

Notice, claim and entitlement

A documented event still needs the right contractual route.

Use the terms carefully

A notice formally communicates an event under an agreed process. A claim seeks a remedy or adjustment. Entitlement depends on the agreement, facts, evidence and applicable law.

At the move

The buyer delays access by a day. The seller reports idle crew and requests $1,200. Check the access obligation, notice rule, mitigation and evidence before deciding the request.

Preserve the evidence

Record the planned access, actual event, people affected and reasonable mitigation. Route the issue to the authorised contract owner without promising a remedy beyond your authority.

TAKE IT TO YOUR PROJECT

Locate the notice channel and deadline in your contract.



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Warranty and service level

A promise needs a duration, a measure and a response.

Read what is covered

A warranty gives specified assurances or remedies about goods or services. A service level sets measurable service commitments. Each has its own scope, conditions and period.

At the move

The supplier promises to correct installation defects during a stated period. The support agreement separately requires priority-one acknowledgement within 30 minutes during staffed hours.

Measure the right thing

A ticket logged at 10:10 and acknowledged at 10:32 took 22 minutes. Restoration at 12:05 must be compared with any separate restoration target.

TAKE IT TO YOUR PROJECT

Record the trigger, clock, target, exclusions and remedy for one commitment.

Payment terms and retention

Cash timing affects both parties' ability to complete the work.

Identify the condition

Payment terms set the amount, trigger, timing and evidence for payment. Retention withholds a stated part under defined release conditions when the agreement provides for it.

Calculate an example

A certified $10,000 payment has 5% retention. The withheld amount is $500 and the current amount payable is $9,500, before separately applicable adjustments.

Plan release

Record where retained amounts sit, when they may be released and who confirms the conditions. Check statutory requirements and actual terms before applying a withholding.

TAKE IT TO YOUR PROJECT

Build a payment schedule with evidence and approval owners.

Risk allocation, liability and insurance

The party named in a clause needs a practical way to manage the exposure.

Read the relationship

Liability provisions describe responsibilities and potential remedies. An indemnity addresses specified losses or claims. Insurance funds certain covered risks subject to policy conditions and exclusions.

At the move

A supplier damages a server while transporting it. Preserve the equipment record and event evidence. Check the transport responsibilities, liability terms and relevant insurance with the contract owner.

Check the gap

An insurance certificate alone does not prove every loss is covered. Verify material limits, exclusions, deductibles and notification requirements through the appropriate specialists.

TAKE IT TO YOUR PROJECT

Map one significant exposure to a responsible party and a control.

Subcontractor and flow-down

The delivery chain can contain obligations the project team does not see.

Understand the chain

A subcontractor performs work for the contracted supplier. Flow-down requirements pass specified obligations along that chain where required by the main agreement or applicable rules.

At the move

The relocation supplier uses a separate transport firm. The buyer requires named-person access approvals and secure handling. Confirm how the main supplier will ensure its transport team complies.

Keep accountability clear

Record the main supplier contact and the permitted route for instructions. Directing a subcontractor informally can create confusion about scope, authority and responsibility.

TAKE IT TO YOUR PROJECT

Identify one requirement that must reach every tier doing the work.

Termination and contract closure

Stopping work and confirming full completion are different events.

Read the exit path

Termination ends all or part of an agreement under a permitted route. Contract closure confirms the required administrative and commercial completion steps for the work that remains relevant.

At the move

The buyer cancels one site. Procurement checks the permitted termination route, notices and financial consequences. Completed work, committed materials and ongoing obligations still need to be addressed.

Close with evidence

Reconcile accepted outputs, invoices, claims, retained sums, assets, records and continuing commitments. A project's internal closure meeting does not automatically close every supplier agreement.

TAKE IT TO YOUR PROJECT

List the evidence required to close one purchase.

Read a supplier offer in ten minutes

Work through the offer as one connected set of commitments.

Start with scope

The supplier offers $10,800 for 24 desks, delivered in working hours. Your required outcome is 24 assembled desks ready Monday. Circle the missing assembly and weekend-access assumptions.

Build the comparison

Clarification adds $1,200 for assembly and $1,800 for night access. Evaluated total becomes $13,800. Compare this with another offer only after matching the required scope and conditions.

Prepare the decision

Summarise the result, exceptions, acceptance evidence, payment trigger and change route. Route unresolved commercial terms to the authorised owner before award.

TAKE IT TO YOUR PROJECT

Produce a one-page comparison with a clear recommendation and remaining questions.

Your procurement terms desk check

Use the vocabulary to find the next question, then check the actual agreement.

Review the sequence

Need, scope, request, evaluation, award, delivery, acceptance, payment and closure form a useful reading path. The actual agreement and applicable rules determine obligations and remedies.

Test yourself

A supplier asks for extra hours under a fixed-price package. First ask whether the work changed. If the seller simply underestimated unchanged work, check the pricing rule before agreeing to pay more.

Check your records

Can you find the authorised scope, price basis, access conditions, acceptance test, change procedure and notice route without searching through unrelated emails?

TAKE IT TO YOUR PROJECT

Choose one live purchase and complete this check with the contract owner.