An Introductory Guide to Doing Business with Government Agencies
Introduction

The North American economy is growing. So too is the spending by Federal, State or Province, County, and Local Government Agencies of all kinds. And thanks to all of that, the opportunities for you in the private sector to bid on and land contracts in support of those Government Agencies are also expanding.

Our mission at the North American Procurement Council is to help private companies like yours connect with Government Agencies on those bids. We recognize that for many of you the nature of Government Agency contracting is very new. It is for this reason that we have prepared the material that follows. It covers many of the basics of the process and should help you on your way to winning — and executing — your very first Government procurement contract.

Topics we address in this guide include:

- What is a Government Agency?
- Why Should You Consider Contracting with a Government Agency?
- How Government Agencies Do Business?
- Examples of Government Procurement Bids
- Formal vs. Informal Bids
- Public Bid Thresholds
- Prime Contractors and Subcontractors
- Bonding and Insurance
- Some Cautions to Consider

This kind of document cannot of course cover all the issues you need to consider in going after those bids. For that reason we strongly urge you to seek legal counsel and other expert advice as you pursue these new business opportunities. But with these introductory notes — combined with specific advice which best supports your company and the unique bids you may be pursuing — you will be well on your way to grow your business through Government contracting.
What is a Government Agency?

A government agency is an administrative ‘unit’ organized to manage certain specific functions of government. It is centrally funded, usually from public fees of one sort or another, and ordinarily has an operational role.

Such agencies exist at every level of government operation. There are Federal, State or Province, County, Local Municipality, and even regional University agencies. Internationally these agencies sometimes cross boundaries in places like the European Community, where governance is co-managed both by the local countries as well as by a standing body with certain narrow authority over a group of countries.

In the United States, examples of Federal government agencies include:

- The U.S. Armed Forces (Army, Navy, Marines, Air Force, etc.)
- The U.S. Department of Agriculture
- The Federal Housing Administration
- The National Aeronautics and Space Administration
- The U.S. National Park System
- The National Institutes of Health
- The Federal Aviation Administration (FAA)
- The National Endowment for the Arts
- The Food and Drug Administration
- The National Oceanographic and Aerospace Administration (NOAA)
- The Federal Communications Commission
- The Federal Bureau of Investigation
- The Center for Disease Control (CDC)
- The Federal Bureau of Prisons

In Canada examples include:

- The Farm Products Council
- Health Canada
- The National Film Board
Many other types of public-funded government agencies also exist within individual States and Provinces, as well as within local counties, cities, and towns. They include institutions such as the local police forces, libraries, state and provincial university systems, regional transportation and highway agencies, and departments of tourism.

**Why You Should Consider Contracting with a Government Agency**

For independent companies involved in all sorts of contract work, Government Agencies represent one of the biggest and most promising sources of potential business. This is because they often drive many of the largest infrastructure projects anywhere.

The types of work available includes almost anything you might imagine: from construction to communications, equipment resale or lease, and services ranging from software to legal services, travel, commissioned scientific research, and even the arts. There are also major supply opportunities for items from fuel to printer paper, wall paint, and clothing. You can see a full list of the Government Agency opportunity types we track for you on the NAPC website at: [http://www.napc.pro/worktypes/](http://www.napc.pro/worktypes/).

In addition to that, even though the agencies themselves often have an exclusive local, state/province, or federal charter for their administrative area, most agencies are required to outsource most of their non-core work. This is as much because of a desire to run most efficiently as well as to encourage private industry growth nationally as well as locally.

These agencies also operate in most major population centers. This means it is likely some agency close to you is looking for companies just like yours to help them out.

**How Government Agencies Do Business**

At the simplest level, government agencies are not that different from any other organization in how they go about contracting for outside support. They set high level goals for their groups, agree on major projects, and plan how to accomplish those projects.
Then they use a combination of internal resources and outside organizations to implement their plans.

Where government agencies are quite different in how they do business lies in how they go about buying the outside services and materials needed to support their goals.

In the private sector, small or routine contracts with outside companies are often awarded to vendors based on past experience or personal connections. On larger contracts, private companies usually ask for competitive bids to get the best price and terms, but even in those cases the bidding is rarely if ever open to just about anyone.

For government agencies, there are two major differences in how they do business. The first is that they are often required by law even for the smallest of contracts to have an open and competitive bidding process. This means that any company able to meet the minimum qualifications for the contracts is eligible to bid. The second is that the government agencies are also legally restricted in many ways from how they engage with potential bidders throughout the procurement process. These restrictions cover things such as deadlines during the bid process, strict adherence to the bid specifications, and even such simple things as accepting an invitation to lunch with a potential vendor. For those new to the process these rules can seem daunting. But they do help ensure an open and fair process for the vast majority of bid opportunities.

**Examples of Government Bids**

Bids come in many kinds, sizes, and types of goods and services. Here are some examples from the many bids shown throughout the NAPC family of websites — as of the time of writing this document.

- From CaliforniaBids.com: The City of Roseville, California is soliciting a series of Residential Construction upgrades in support of the Americans with Disability Act. From the solicitation: “Scope: The work includes ADA curb ramp improvements including: minor concrete, high strength Portland-cement mortar, asphalt milling, minor asphalt repair, minor striping.”

- From Canadasbiz.net: Watson Lake in the Yukon Territories is soliciting bids for a Water Treatment Plant.

- Also from Canadasbiz.net: One of the Staff Clothing Units from the Province of Ontario, Canada, is soliciting for the Supply and Delivery of Parkas for its organization.

The first of these is a construction modification to an existing facility, the second a major new installation, and the third a straightforward supply of a particular ‘off the shelf’ item in volume to a government agency.
From paper to paint, parkas, pipe rehabilitation, drywalls and complete building installations, there are so many different types of bids the odds are good there will be something among the many offerings on the NAPC.pro sites that your company would be well positioned to provide.

**Formal versus Informal Bids**

For most of the bigger contract solicitations you will discover on our NAPC.pro website, the bids are what are known as **Formal Bids**.

Although the details will vary from agency to agency and sometimes with the type of solicitation, **Formal bids** always have several things in common, in that the contracting agency must often:

- Formally advertise for bids (so that the largest potential pool of bidders knows exactly what needs to be bid far enough in advance)
- Provide adequate time for bids to be prepared
- Follow precise legal and operations requirements for the reviewing of bids

For **Formal Bids** to be accepted they must:

- Be submitted in writing
- Be prepared in precise conformance with a specified format. That format will often include a prescribed digital as well as paper version of the format.
- Be submitted by a specific date and time

Such **Formal Bids** often will be submitted in a sealed envelope, to be opened only by the Government Agency representatives at a specific date and time after they have received all competitive bids.

Depending on the specific bid, a contractor planning to submit a Formal Bid may be required — in advance of submitting a bid -- to do things such as:

- Attend a pre-bid conference (to ensure that everyone gets all the same data necessary to enable submitting the best possible bids)
- Visit the project site where the work may be done
- Fill out an RFI (Request for Information) document and submit it to the Government Agency even before you are allowed to submit your actual proposal. (This is to ensure that you meet the minimum requirements for actually being able to carry out the final awarded contract.)
If your bid is not compliant with all the formal requirements for that agency submittal, it will in most cases be automatically rejected with no opportunity to resubmit.

**Informal Bids** are, like the name implies, not constrained by formal rules. Contracting Agencies requesting **Informal Bids** may not need to announce them publicly in advance. Also the review process is often much simpler than for **Formal Bids**.

For you as a Contractor, **Informal Bids** of course still need to be carefully prepared and submitted with complete documentation as specified in the solicitation. Unlike **formal bids**, however, they are often submitted:

- Unsealed (so they are effectively ‘open upon receipt’)
- By letter, fax, or even email (all of which are considered last secure and less ‘formal’ than the other kinds of bids)
- **Informal bids** are still generally submitted competitively and — as in many government agency bids — the lowest price bid that fulfills all the requirements of the solicitation will be the winning bid. But there are far less rules involved.

**Public Bid Thresholds**

Many government agencies automatically require a Formal (and Public) Bid process to be used whenever the total contract award is above a certain pre-specified amount of money. That pre-specified amount is known as a Public Bid Threshold. The idea is to make sure that a properly competitive bidding process is used when larger sums of money are at stake.

Most agencies have at least a $5,000 Public Bid Threshold. If the contract award is lower than that, items can often be purchased as simply as picking up the phone and getting a local supplier to deliver what is needed. It is important to get the best price, quality, and delivery, but with **Public Bid Thresholds** it is often not necessary at all even to ask for multiple competitive bids when what is being purchased is below the Threshold amount.

**Public Bid Thresholds** can be established for an entire job or — sometimes — based on the total amount to be spent on a job during each fiscal year.

**Public Bid Thresholds** do vary from region to region. There are also many jurisdictions where there are no **Public Bid Thresholds** at all. And the rules associated with Formal Bidding also vary from place to place.
Here are two examples.

California recently raised their threshold for purchasing non-construction items for schools. That threshold is now $86,000 as of the date this document was prepared.

S has established wide usage of **public bid thresholds** in its government purchasing. The challenge with their system is that Public Bid notice time is often fairly short, with contractors sometimes having to prepare bids with only 4 days advance notice. This makes public posting places such as the NAPC’s family of websites even more important for potential bidders.

Before bidding, potential contractors should carefully investigate the rules for **Public Bid Thresholds** applicable to the work they are considering pursuing.

**Prime Contractors and Subcontractors**

Two terms you will often run into as part of bid requests are the concepts of **Prime Contractors** and Subcontractors.

In Government Contracts, a **Prime Contractor** is the Company or Organization that holds the contract for all the work on a given job with that Government Agency.

The **Prime Contractor** is also the one that submits the entire bid for the job, negotiates the terms for it, and signs the contract with that Agency.

Prime Contractors, especially on bigger or more complex projects, hire other companies — Subcontractors -- to do specific tasks for them as part of their overall project work for the Government Agency. As an example, a **Prime Contractor** responsible for constructing a new building might hire Subcontractors to set up the electrical systems, install roofing, and put sprinkler systems in place.

Subcontractors are different from **Prime Contractors** in several ways. Among other things, Subcontractors are contracted, paid for, and managed by the **Prime Contractor**. Although they may a part of on-site installations, customer meetings and more, Subcontractors have no direct responsibility to the **Prime Contractor**.

Also, Subcontractor bids are solicited by and negotiated solely with the **Prime Contractor**. Subcontractors ordinarily have no direct engagement with the Government Agency as part of that process.

Other than that, Subcontractors often share with **Prime Contractors** the same rules, compliance guidelines, government regulations, and even the requirement for contract-specific certifications such ISO (a special certification provided by the International Standards Organization) and safety approvals such as UL, CE, and TÜV.
The **Prime Contractor** is also the one who is paid directly by, files regular progress and compliance reports with, and negotiates any contract changes with the Government Agency.

Depending on the nature of the bid you are pursuing, you may bid as a **Prime Contractor** (and then arrange for your own Subcontractors as needed), or you may look for a **Prime Contractor** partner who might need you to do Subcontractor work for them.

**What does it mean for a Government Agency to require that a Contractor is Bonded?**

As you might expect, when Government Agencies award a contract to a supplier they want to make sure their money is not only well spent but also that the work gets done as specified.

One way this is typically done is by requiring their Contractors to post one or more kinds of bonds in advance of starting work on a contract. These are also sometimes known as **surety bonds**. They represent a legal promise by a guarantor (usually a third party bond agency) that in the event that a company does not fulfill some obligation of its contract with the contracting agency, that some amount of money will be paid back to the contracting agency.

That money can be considered a formal penalty of sorts, but more often is often used to help fund completion of the work in the event that a contractor is unable to complete a project on time or to specifications. This type of bond is called a Performance Bond.

A second type of Bond that is common in Government Contracts is a Payment Bond. Because many Government Agency contracts involve **Prime Contractors** as well as Subcontractors who report in to the **Prime Contractor**, the funds paid to the **Prime Contractor** will include monies intended for use to pay those Subcontractors for their work as part of the overall contract. As you might expect, there are situations that come up occasionally where a **Prime Contractor** is unable to or for other reasons chooses not to pay all its Subcontractors in full for their work. In those cases Subcontractors who feel they are unreasonably being denied payment may make a claim against a Payment Bond for monies due to them. Payment Bonds therefore help guarantee that Subcontractors are paid fairly and on time.

Whether or not you need to post either type of Bond as part of your Government Agency contract depends on the specific requirements of your contract. If however you are bidding on U.S. Federal construction contracts, 40 U.S.C. chapter 31, subchapter III, Bonds (formerly known as the Miller Act), those bids require performance and payment bonds for any construction contract exceeding $150,000 (in most cases). There are also various U.S. State versions of this law that have similar automatic requirements for Performance Bonds.
There are also occasionally requirements for contractors to purchase what is known as a **Bid Bond**. Such a bond basically guarantees to the Government Agency that the Contractor agrees to do the work for the amount of money requested in the Contractor’s bid to the agency.

For further information on Bond requirements for U.S. Federal contracts, please see:

- [https://acquisition.gov/far/current/html/Subpart%2028%28_1.html#wp1086359](https://acquisition.gov/far/current/html/Subpart%2028%28_1.html#wp1086359)

Types of bonds acceptable to U.S. Federal contracts are covered in more detail at:

- [https://acquisition.gov/far/current/html/Subpart%2028%28_2.html](https://acquisition.gov/far/current/html/Subpart%2028%28_2.html)

For information on Bonds for contracts with Public Works and Government Services in Canada, please see:


### What Insurance is required to bid for and execute a Government Contract?

A second way Contracting Agencies help ensure Contractors can properly deliver what is required for their contracts — as well as to cover any necessary liability concerns while executing those contracts — is by requiring the Contractor purchase and hold certain kinds of — throughout the performance of their contracts.

According to the current version of the U.S. Federal Acquisition Regulation (also known as FAR), subpart 28.3, contractors are generally required to have several different types of —. These include:

- Worker’s Compensation and Employer Liability Insurance
- Automobile Liability Insurance (covering bodily injury and property damage, in cases where automobiles are operated by the contractor as part of the work)
- Aircraft Liability Insurance (in cases where aircraft are operated by the contractor as part of the work)
- Vessel Liability Insurance (similar to the Automobile and Aircraft insurance coverages above)
- Leased Motor Vehicle Insurance
- Cargo Insurance (to cover shipment of goods or materials as part of the contracted work activities)
Insurance for all of these can be arranged either through third parties or, in some cases, self-insuring within the Contractor. Please contact the appropriate Government Agency for details on when and how self-insuring may be possible for your business.

A **Prime Contractor** will also likely be required to enforce similar Insurance requirements as applicable on any Subcontractors it employs to complete the contracted work.

For further information on U.S. Federal Insurance requirements for contractors, please see:

- [https://acquisition.gov/far/current/html/Subpart%2028_3.html](https://acquisition.gov/far/current/html/Subpart%2028_3.html)

For Public Works and Government Services contracts in Canada, further details on insurance requirements can be found at:


**Some Cautions to Consider — Especially for those Newly Entering the Government Contracts Arena**

As you no doubt have already discovered by looking through the many websites in the North American Procurement Council Family (at www.NAPC.pro), there are many different ways your company could benefit by bidding, winning, and delivering contract items for local, regional, and Federal Government Agencies. It is not only a tremendous opportunity in front of you; many even consider it a patriotic duty to pursue these bids as a way their company can help support their local government.

There are risks in this as in all things, however.

When a Contractor bids, he or she puts not their reputation — but (even with insurance and bonding) — his or her company on the line. Whether you are pursuing a Fixed Price Contract (where you are in effect certifying that the price you are charging is all that is needed to complete the work) or a Cost Plus Contract (where ‘good faith estimates’ may be adjusted later but only after pre-approval and only under certain conditions), your company will hold the responsibility to get it all complete as specified, at cost, and on time.

And with you depending not just on yourself but subcontractors as well, there are many variables at play. Weather, supply issues that are out of your control, and even just well-meaning mistakes in the planning process on your end could result in delays, cost overruns, and specification shortfalls. All of which could lead to company embarrassment as a minimum and situations as extreme as lawsuits and company asset seizures in some cases.
So -- even with bonding, insurance, and the utmost care in planning and risk management -- sometimes things go wrong even in the best of situations. Those worst cases are rare they must be considered carefully as you prepare your bids and your work.

Such thoughtful planning can bring your company tremendous rewards. And it is a journey we at the North American Procurement Council want to help you with at every step.

**Want to know more?**

What this all means for you as a potential supplier is that the government agency contracting market is likely — depending on your product or service — one of your best opportunities to grow your business in a wide-open bidding market.

We at the North American Procurement Council are here to help you find the best match between your company and the best possible government agency contracting opportunities available today. We are also preparing a series of information videos and white papers on key aspects of the bidding process; they will be soon be available for free download and viewing.

Please visit us at http://www.napc.pro/