Standard Operating Procedure (SOP)

Initial Vendor Selection and Qualification Process

Purpose:

This SOP defines the **initial vendor selection and qualification process**, detailing the criteria and procedures for evaluating potential suppliers, including compliance checks, financial stability assessment, quality standards verification, and capacity evaluation. The goal is to ensure that selected vendors meet organizational requirements for reliability, quality, and performance to support sustained business operations and minimize risk.

Scope:

This procedure applies to all departments involved in sourcing, vetting, and selecting new vendors or suppliers for goods and services critical to the company's business operations.

Definitions:
- **Vendor/Supplier:** An external company or individual providing goods or services.
- **Qualification:** The process of assessing a vendor to ensure they meet predetermined standards.

Responsibilities:
- Procurement Department: Lead and document the selection process.
- Quality Assurance: Evaluate vendors' quality management systems.
- Finance: Conduct financial stability assessments.
- Compliance: Verify regulatory and legal compliance.
- Relevant Stakeholders: Participate in technical and capacity assessments as required.

Procedure:

1. **Identify Need:**
   - Define the goods or services required.
   - Outline key quality, volume, and delivery requirements.
2. **Source Potential Vendors:**
   - Generate a list of potential vendors from approved databases, recommendations, or industry sources.
3. **Preliminary Screening:**
   - Complete initial eligibility checks (e.g., business registration, certifications, sanctions lists).
4. **Assessment Process:**

Criteria	Action	Responsible
Compliance Checks	Verify licenses, permits, and adherence to applicable regulations.	Compliance Team
Financial Stability	Review audited financial statements, credit ratings, and solvency.	Finance Department
Quality Standards	Assess quality management certifications (e.g., ISO 9001), audit quality systems, and review past performance.	Quality Assurance
Capacity Evaluation	Evaluate production/service capacity, lead times, and scalability.	Procurement with Technical Input
References & Past Performance	Request and verify client references and review service history.	Procurement

5. **On-site Audit (if required):**
   - Conduct audit of vendor's facilities or processes as needed.
6. **Risk Assessment:**
   - Document and evaluate all risks identified during assessment stage.
7. **Final Selection:**
   - Compile assessment results and present recommendations to management.
   - Select vendors that meet minimum requirements and align with business objectives.
8. **Approval & Onboarding:**
   - Obtain management approval for selected vendors.
   - Enter qualified vendors into approved vendor list; initiate onboarding process.

9. **Documentation:**
    - Retain all records, assessments, and approvals related to vendor selection and qualification.

Related Documents:
- Vendor Evaluation Form
- Vendor Risk Assessment Template
- Approved Vendor List
- Vendor Audit Checklist

Revision History:

Version	Date	Description	Approved By
1.0	2024-06-12	Initial issue	_____