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The trends that will shape
public procurement

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CLOSING THE TRUST GAP

By Stephen B. Gordon, CPPO, Ph.D., FNIGP

This writer was present in a meeting where a member of a governing body known to the readership of this publication kept referring to “the trust thing.” The apparent reason for doing this was to drive home the need for all members of the governing body to trust one another.

Healthy relationships in procurement agencies and procurement programs – including those among individual employees, those between supervisors and the supervised, those between procurement agencies and client agencies and those between buyers and sellers – are fundamental to the success of such agencies and programs. And the “trust thing” is a key factor in healthy relationships.

So, what then, is this “trust thing”? In this context, trust refers to a belief by one individual or group of individuals that another individual or group of individuals with whom they must interact is reliable, dependable and competent; that the other individual or group can be counted on to do what it has committed to do or required to do, and to do it well and timely.

Begin a quick diagnostic of your procurement agency or program by asking the following questions:

- How much trust exists among the individuals who comprise your procurement agency or program?
- How much do the supervisors in your organization trust those they supervise?
- How much do those who are supervised in your organization trust those who supervise them?
- How much does your procurement agency or program trust the client agencies and programs it supports?
- How much do the client agencies and program trust your procurement program or agency?
- How much does your procurement agency or program trust the suppliers who provide needed goods, services, solutions and infrastructure for their clients?
- How much do suppliers trust your procurement agency or program?

Then, for each category for which the trust gap is unacceptably large, ask the following additional questions:

- What are the consequences of the gap in trust?
- What causes or contributes to the gap in trust?
- What can be done practically to address these gaps in trust?
- How will you know when the gap in trust in each case has become manageable?

It would be good for public entities if all the relationships within their procurement programs and agencies and the relationships between those procurement programs and agencies and their clients and suppliers were built on well-founded beliefs that those with whom they must relate are reliable, dependable and competent. Trust me.

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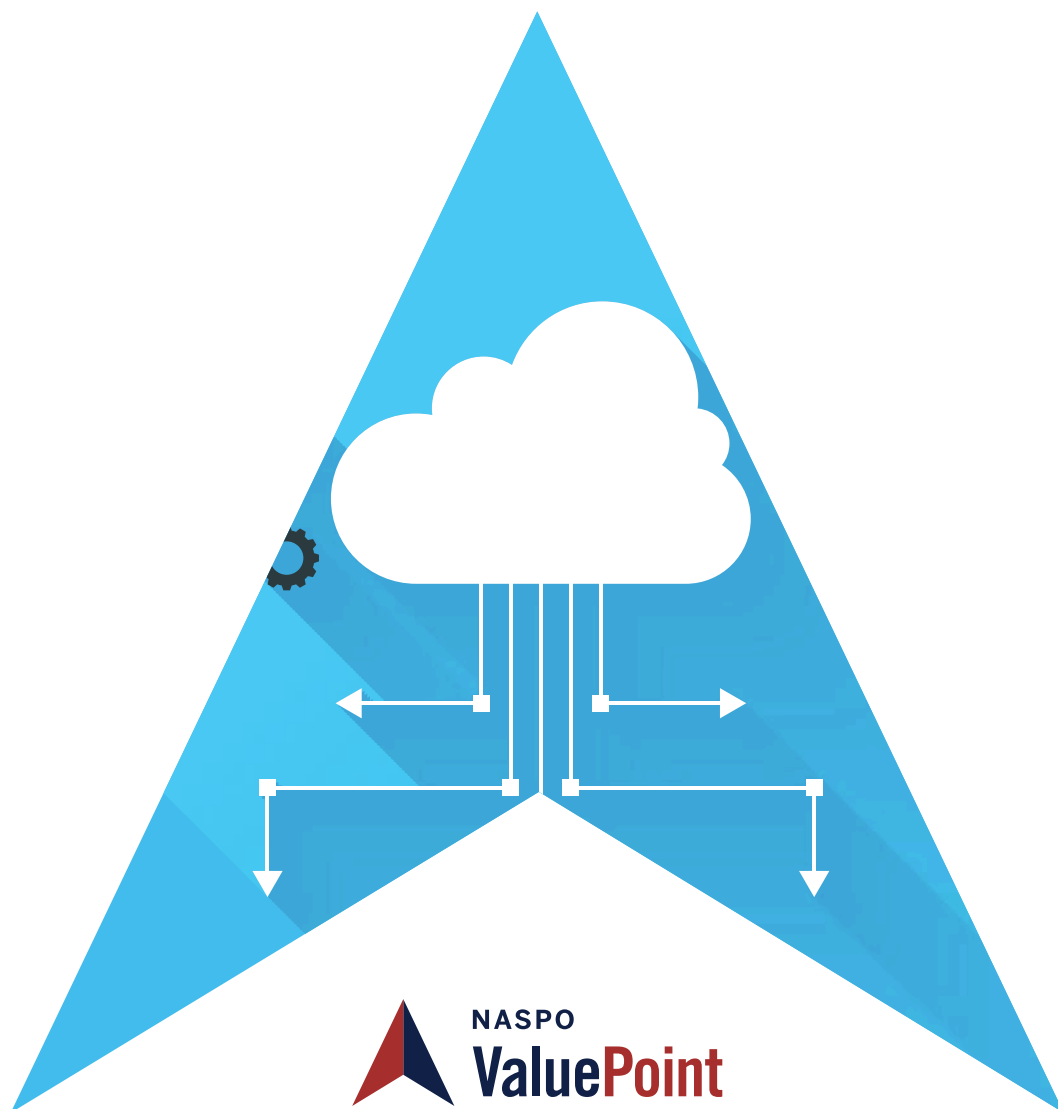
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DON'T OVERLOOK THIS ONE (SIMPLE) WAY TO MAXIMIZE COMPETITION

By Jean Clark

> **A**t the recent NIGP Forum, I asked a roomful of government procurement professionals if they were confident they have the right processes and tools in place to maximize competition for each of their solicitations. Most indicated they were. Then, I asked if they were utilizing a third-party “supplier network” in some capacity. Most said no. Honestly, that meant they weren’t really doing everything they could to maximize competition. But this clearly wasn’t intentional. They just weren’t aware how critical supplier networks are to stimulating competition.

In fact, many attendees were surprisingly unfamiliar with the notion of a “supplier network.” Some simply thought it was an alternative term for their own state or local vendor registration databases.

Others who were more familiar with the third-party-managed networks had not realized the impact such an investment could have on spend quality on the buyers’ side; they assumed the supplier was the sole beneficiary of such tools since they give businesses greater visibility into nationwide bid opportunities via a single, consolidated channel.

However, supplier networks are arguably most advantageous to government agencies’ procurement efforts and, in fact, essential to maximizing competition. Why? Because, according to the NIGP, public procurement’s goal is to, “Satisfy the customer by obtaining the optimum market response to acquired activities at fair and reasonable price with exactly what is needed, when needed, while



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In order to achieve those goals, you need to maximize competition first and foremost. To achieve this, you must be able to reach each and every possible supplier. Therefore, you have to thoroughly expand the visibility of your solicitations and increase the size of your state or local agency’s pre-qualified vendor database. That’s not an easy feat. We all remember the days – or perhaps have heard the stories – when procurement officials had to rely solely on paper-based bid notifications and responses. Who knows if we

Many procurement professionals are unaware of how critical supplier networks are to stimulating competition.

were really reaching the most qualified suppliers given the limited distribution of newspapers and mailing lists? Fortunately, electronic channels have recently helped us expand our reach and simplify buyer side processes, though there are still limitations to each.

Without a government-wide standardized solicitation system in place for all federal, state and local agencies, the sourcing process remains fragmented to both buyers’ and suppliers’ disadvantage. Even with the electronic bulletin boards, third-party “scrapers,” and email notification options available today, the bid opportunity search process is still very manual, overwhelming and time consuming for most suppliers. So is the need to register and qualify in each agency’s preferred supplier system – almost to the point of becoming a deterrent for some businesses that offer very specialized goods and services that aren’t needed by public sector agencies on a consistent basis. But it’s those types of businesses that we as buyers need greater access to in order to strategically source for every purchase and eradicate waste.

So how do we overcome these ongoing challenges? We take the initiative to simplify the process for suppliers. The easiest way to do that is via industry-wide utilization of supplier networks that consolidate those fragmented sourcing processes into a single, universally beneficial system.

These third-party-managed networks are specifically designed to connect public sector buyers and potential suppliers through very targeted engagement and solicitation methods. Consider them the matching service of government procurement, and their benefits align perfectly with each of our public sector procurement goals:

GOAL = QUALITY

Some supplier networks provide public sector agencies with direct access to millions of already pre-qualified suppliers seeking relevant business opportunities such as the ones you post. That’s because most supplier networks enable suppliers to register once within their system, then use a single username, password and dashboard to quickly confirm eligibility with all of the networks’ participating agencies and interact with the agencies. Businesses don’t have to waste time learning the complexities of each agency’s qualification process, so they’re more apt to pursue government opportunities. This increases your supplier candidate pool – especially for specialized purchases – and motivates suppliers to aggressively compete to provide goods and services at a greater value and lower price. A win-win on quality and cost.

In fact, public sector agencies that are active within supplier networks report an increase in solicitation responses by local, minority-owned, women-owned and veteran-owned businesses. You also gain greater visibility into sources available in all eligibility categories, including “green” suppliers or others that meet the strict sourcing requirements of government institutions.

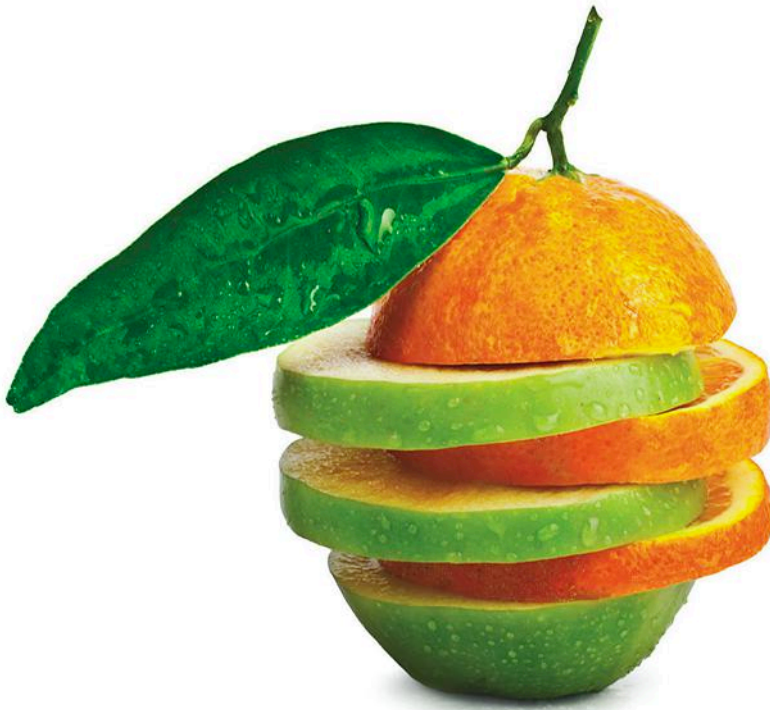
GOAL = TIMELINESS

When you leverage a supplier network, you don’t have to work as hard to find and connect with highly qualified suppliers for solicitations or market research. In fact, the quality of your market research will increase – and even become more expeditious – once you gain access to a wider network of expert sources from which to compile data and verify findings.

Both free and premium networks also provide suppliers with aggregated access to tens of thousands of government agency opportunities. The best services proactively notify suppliers via email – often in real-time – when new solicitations meeting their pre-defined criteria are posted. Easy solicitation-tracking

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enables suppliers to spend more time conducting market research and preparing quality responses that offer agencies the exact goods and services requested at improved pricing structures. It also enables businesses to respond with more immediacy and prevents them from missing opportunities due to late notification – or complete oversight – of opportunities.

**GOAL = MAINTAIN INTEGRITY
AND TRANSPARENCY**

Providing simplified and direct access to your agency goes a long way in building strong, lasting relationships with suppliers. Not only do supplier networks provide greater transparency into how you conduct business, they establish your credibility as an agency that practices fair and reasonable procurement. That’s because some supplier networks not only collect and consolidate bid opportunities, but also aggregate data such as spend analytics. Access to such data creates a level of public trust, minimizes suppliers’ risk perception and increases their willingness to work with you.

**GOAL = MAXIMIZE COMPETITION,
MITIGATE AND MANAGE RISK, AND ATTAIN
SOCIAL & ECONOMIC OBJECTIVES**

Greater access to businesses nationwide will increase the exposure of your solicitations, which leads to more qualified responses and, in turn, maximizes competition. Competition then provides fair access to opportunities and motivates for reduced pricing. Contractors are motivated to deliver high quality goods and services, which ensures you’re paying fair and reasonable prices. Competition also increases opportunities for innovation and ultimately enables you to meet social and economic objectives with maximum efficiency.

GOAL = COST

Yes, supplier networks do require an additional investment by public sector agencies. But the cost is minimal compared to all the advantages gained, and they are truly the best way to ensure maximum exposure for your solicitations to maximize your buying power and the quality of spend.

However, please note: not all supplier networks are created equal. If you want to maximize your investment, choose a network that powers its “match” functionality using a commodity code-based system. Categorizing bid notices by their NIGP Code, for example, makes it easier for suppliers to search for and identify the opportunities that are most in line with their qualifications. On the flip side, agencies can use that same NIGP Code-powered system to search for – and contact – suppliers that provide the exact goods and services sought within that category. The equally active and passive structure of this supplier network will make it easy for you to simultaneously reach a very targeted vendor set without excluding newer businesses eligible to compete for government business.

Before committing to a specific supplier network, also confirm whether or not they provide complete customer support. Again, the best networks will aid with supplier profile setup and provide guidance on how to respond to solicitations so that your team isn’t fielding those types of calls. Like you, they’ll also commit to training suppliers on the ins and outs of public sector procurement, which in turn leads to a more professional and educated supplier community.

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OVERCOMING MISCONCEPTIONS REGARDING THE USE OF COOPERATIVES FOR ENERGY PROCUREMENT

By Bob Wooten

> Savvy energy procurement specialists often look for other options to augment their energy purchasing arrangements. One such option is the cooperative purchasing contract. But before launching a full-scale plan that revolves around a cooperative, you need to ask, “Can I use a cooperative purchasing contract to procure energy, such as electricity and natural gas?”

At first blush, this sounds like a very easy question to answer. The answers to this question, though, are more complicated than you might guess.

There are those who immediately answer, “Yes” and use a cooperative contract but don’t really understand the real reasons why they can do so. Then there are those whose knee-jerk reaction is, “No,” many times due to a significant misunderstanding of their own state’s statutes governing the use of

cooperatives and energy procurement in general.

The majority of the time, governmental entities are engaging the services of an energy procurement advisory firm to coordinate the procurement of energy, and this further clouds the answer to the above question.

To delve into this subject, we must unpack this into several key areas. After all, nothing does more to ensure that a jurisdiction gets the best deal for energy products and services than guaranteeing that their buyer is fully informed.

MISCONCEPTION: I MUST PUBLICLY PROCUREMENT ENERGY PER STATE STATUTES

To understand the state statutes for procurement of energy as they stand today, it is important to recall the history of electricity and natural gas



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utilities. Not too long ago, all utility companies were monopolistic: Their energy was supplied under a state-regulated tariff, and you paid what you paid. There was no opportunity for competitive supply, so it was never an issue that crossed the desk of a purchasing professional.

Now fast-forward to a time when states started deregulating utilities, allowing a competitive market for supply. Although this might sound like a great opportunity for purchasing professionals to bid for the best rates, this isn't always the reality – and, in fact, often complicates matters. Even when a state deregulates something like electricity supply, the actual rules differ within the various utility companies in that state. One area is competitive, while another area is not. This has created so much confusion in how to address in-state procurement statutes that most states with deregulated energy markets still officially “exempt” electricity and natural gas from competitive bidding requirements.

Because statutes differ by state, it is important that you read up on the statutes governing your particular state. But keep in mind the vast amount of “gray area” here: It is not unusual to talk to two different city attorneys in the same state who have both studied all the statutes and receive opposing advice. The first attorney concludes that the city must competitively procure energy supply, and the second recommends that this is not necessary.

MISCONCEPTION: I MUST PROCURE AN ENERGY ADVISOR AS A “PROFESSIONAL SERVICE”

Even attorneys who understand the ins and outs of legalese are confounded, so don't feel bad if you are a bit confused in trying to understand what you must legally do to procure the energy commodity itself. Now, consider the situation when you hire an energy procurement advisory firm to assist in the process.

As polls have shown over the years, there has been an increasing trend toward the use of expert advisory firms to assist in the procurement of electricity and natural gas. A quality energy adviser will assist with everything from market timing to contract structure to ongoing management of energy supply. Consider the fact that the price you pay for energy supply is a direct function of the underlying wholesale cost of the commodity – which fluctuates so dramatically that signing a contract on one day as opposed to another could result in a double-digit percentage swing in your contract rate. Bringing an energy adviser on board is a smart move that adds as much energy market intelligence to your procurement process as possible to most successfully navigate the volatility of the market when securing a price.

But the confusing and very state-specific legal jargon is just the beginning. Just like the energy commodity itself, statutes governing how to engage an advisory firm differ by state.

In some states this is considered a “professional service” that, in many cases, is procured differently than other goods or services – sometimes allowing for a best value evaluation and sometimes exempt from competitive procurement altogether.

In other states – Massachusetts for example – a “service” that is “integral” to the procurement of the associated commodity is itself then considered the same as that commodity. So in Massachusetts, energy advisory services are considered the same as the energy commodity they are hired to help procure. Massachusetts also exempts energy commodities from the competitive procurement statutes, meaning that the procurement of the energy advisory services are themselves exempt from competitive procurement – even though your attorney may stop at the word “service” and tell you this must be procured as a professional service.

Confusing, huh? And, again, you can find two different city attorneys with vastly different opinions on the subject. All the more reason to engage an adviser to weed through it all with you.

MISCONCEPTION: I CAN'T USE A COOPERATIVE CONTRACT TO PROCURE THE SERVICES OF AN ENERGY ADVISER

Now let's talk about using a cooperative contract. This, too, becomes a bit confusing until you study all the various pieces.

Almost every state in the U.S. has statutes in place that enable local governments to utilize cooperative purchasing contracts, to some extent, to procure goods and services. This is a hot topic in trade publications, so you probably know that using a cooperative purchasing contract means that you are taking advantage of a competitive procurement process already conducted by another entity, thereby fulfilling your own competitive procurement requirements.

If your state requires competitively procuring the services of an energy advisory firm, you can use a cooperative purchasing contract that has already procured an advisory firm. In those areas where it is not necessary to competitively procure an advisory firm because it is considered a “professional service,” we still see many jurisdictions opting for the use of a cooperative contract because this ensures that they are getting a publicly evaluated firm contracted at a competitive rate. (But bear in mind that the individual metrics differ by the quality of the cooperative program itself.)

To confuse matters we'll return to our Massachusetts example. In that state, a local government cannot procure "services" through a cooperative purchasing contract. That would appear to eliminate the possibility of hiring an energy advisory firm through a cooperative, right? But that's not actually the case. You can take advantage of the evaluation and pricing secured by a cooperative program in hiring an energy advisory firm because the state considers this a "service" integral to the delivery of the product/commodity. And in Massachusetts, energy commodities such as electricity are exempt from competitive procurement statutes – meaning that you can procure the advisory service and/or the commodity in any method you choose, including the use of a cooperative purchasing contract.


MOVING BEYOND MISCONCEPTIONS

When you look at the intricate legalities behind procuring energy, you might conclude that there is a lot of latitude in how this can be done. In fact, taken literally, in some states there is no regulation governing the process at all. You're left with your common sense and the need to follow the "spirit of procurement law."

Your organization counts on you as the energy procurement specialist to ensure that you get the best possible solution, and you want to do this through a competitive procurement process. This is where the logic behind the use of cooperatives comes into play. Using a qualified energy advisory firm gives your jurisdiction the upper hand in understanding market dynamics, leading to the best contract for energy supply. By taking advantage of a cooperative contract that has already evaluated and awarded a contract to an advisory firm, you are saving time and money by leveraging the dynamics of the cooperative program's clout and membership to ensure you are

getting a quality adviser – which ultimately leads to meeting your jurisdiction's energy needs and goals.

BOB WOOTEN, C.P.M., CEP, is Director of National Accounts for Tradition Energy, with 20 years experience managing procurement programs. He holds certifications from the Association of Energy Engineers and the Institute for Supply Management.




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BUDGET FORECASTING: COST ESTIMATE, CONTRACT COST AND COST OVERRUN

By Claude L. Cable

> **I**n 2008, *Cost Engineering Journal* said that a cost estimate is “voodoo.” Many procurement professionals, leaders and researchers agree that a cost estimate has no value in determining a contract cost and possible cost overrun. If that’s accurate, do procurement experts need to complete a cost estimate with every acquisition?

Procurement experts are required to know many facts relating to procurement procedure and the material or service requirements. Understanding the cost estimate procurement processes or procurement dynamics is very important for all stakeholders. Procurement dynamics is the process of obtaining services or supplies to support an organization’s mission, i.e., the process of cost estimating or developing an independent government cost estimate (IGCE). A cost estimate can be used to determine budget forecasting and a cost of contract.

COST ESTIMATE, COST OVERRUNS AND BUDGET FORECASTING

Does a cost estimate have any value in budget forecasting or control? In contrast to a “guestimation,” a cost estimate is unbiased, which has use for budget forecasting, comparing costs and the total estimated cost of a possible award. As leaders and acquisition workforce managers, precisely forecasting the scope, cost and duration of the future forecast is vital to the survival of any project or business success.

The U.S. Department of Defense’s (DOD) weapon system projects consist of multiple stages of expansion and are required to establish an accurate estimation to assist them in budget forecasting and control. The DOD has established structured methodology and procurement dynamics in creating an IGCE or cost estimate. A cost and price analyst can use various cost estimating methods or tools, depending on the product or service needed.

Should a cost overrun be the acceptable norm in budget control? The U.S. Government Accountability Office (GAO) noted cost overruns have become the standard acceptable norm, especially in defense weapons. The average cost overrun on the DOD’s major defense program is above 40 percent. In 2013, *Project Management Journal* stated the DOD’s

Many procurement professionals agree that a cost estimate can’t determine a contract cost or possible cost overrun. So how valuable are they?

contract cost overruns from 2000 to 2008 were in excess of over \$200 million, which is a growth rate of over 702 percent from the prior decade. With this in mind, procurement professionals should constantly develop processes to improve budgeting.

How can understanding the association between cost estimate, service contract cost and cost overrun help with budget forecasting? There is strong association between a cost estimate, a service contract cost and a cost overrun. Each element is important in budget forecasting and can eradicate cost overruns.

Procurement officials need to continue to develop better buying business practices to limit or stop a cost overrun to control budgets. Additionally, all stakeholders within the procurement dynamics should refine contractual governance or laws to make sure cost estimate, service contract cost and cost overrun have consideration. Many U.S. federal government agencies and subcomponents have adequate cost estimating tools in place for budget forecasting and control, but are overlooked by procurement professionals.

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THE ARTISTIC SIDE OF PROCUREMENT

> Norfolk State University's Procurement Services Department recently collaborated with the University's Graphic Design 2 class - a division of the Fine Arts Department. The collaboration resulted in a vivid, informative and distinctive interpretation of work performed by Procurement Services.

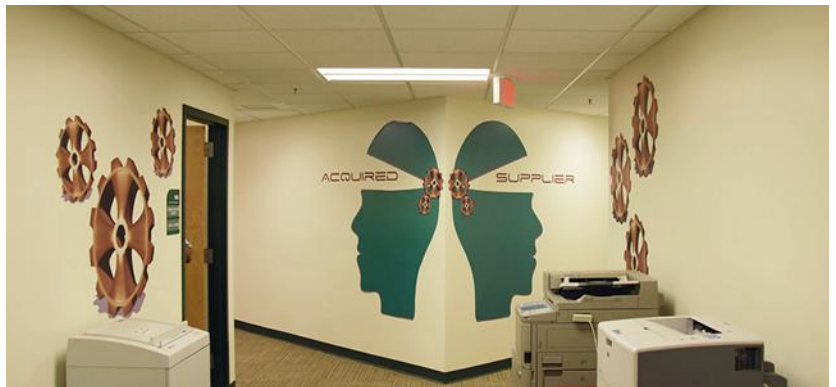
The art class spoke with the procurement staff to better understand their process. They also looked for the right concept and the appropriate art material, one that was durable, non-toxic and interchangeable. The lack of natural light also influenced the color decisions. According to Professor Sam Hughes, "this was a fantastic opportunity for my students to work on a project, from start to finish."

As the process developed, the students used a new large-format ink jet printer, which produced the final product. The material, called Wall Flair, is a peel and stick material. Once the design is printed, the same machine cuts out the designs. The students then

hung the display on Procurement Services' walls.

"The collaboration between the two departments resulted in our customers (students) gaining a better understanding of procurement," Hughes says. In addition to developing a theme and creating the graphic design visuals, students developed specifications for the products used. Thirteen students participated in creating artwork around the procurement theme with emphasis placed on critical thinking and decision-making. The project garnered statewide recognition for the University's Procurement Services Department, receiving the 2015 Collaboration Xcelerator Award from the Commonwealth's Department of General Services.

AUTHORS INCLUDE Dyanna McMullen, VCO, Cynthia Colvin, VCA and Eugene Anderson, CPPO, CPPB, VCO, from the procurement staff at Norfolk State University.



IN DEPTH [procurement]

Procurement 2020

The trends that will shape public procurement

By Michael Keating

Urgent recruiting to replace retirees, expanded buying through cooperative contracts and greater reliance on technology are becoming the norm, and public purchasers will see these trends expand even further in the coming years.

As the workforce ages, procurement professionals are scrambling to replace exiting employees. In fact, succession planning is one of the top five factors that will most affect procurement in the next few years. According to a 2015 *Government Procurement* survey of public purchasing officials, nearly one-fifth of the 498 respondents said they would be retired in the next two to three years.

This data was confirmed in a 2016 compensation and retention benchmark survey from NIGP: The Institute for Public Procurement, which shows many public procurement directors and managers are planning to turn in their badges. In the high single digits (7.2 percent for directors and 6.6 percent for managers), survey respondents said they were considering retirement in the next 12 months.

Exiting staff will only compound the issues with the heavy workloads procurement professionals already face. About 35 percent of public procurement professionals surveyed in Onvia's "2016 Survey of Procurement Professionals" are stretched or working extra hours to meet deadlines.

DeLaine Bender, executive director of the National Association of State Procurement Officials (NASPO) confirms Onvia's findings. In her group's "2016 Survey of State Procurement Practices," 74 percent of respondents indicated the procurement responsibilities of the central procurement office have increased in the past two years.

"While procurement responsibilities continue to grow, only 38 percent of responding states indicated a staff increase, which represents no improvement from the staffing challenges reported two years ago," Bender says.

"Given that 62 percent of procurement offices are actually experiencing a staff reduction or no change in staffing, more needs to be done in the procurement workforce area to alleviate the rapid increase in responsibilities, which is not matched by additional staff to support workloads," Bender says. Those workloads, she says, are almost two times greater than those reported two years ago in the "2014 Survey of State Procurement Practices."

FUTURE LEADERSHIP WILL BRING NEW IDEAS

However, there is a silver lining in the workforce exodus. Future public procurement leaders will bring benefits to the profession, says Molly McLoughlin, director of supply chain management at the Boulder Valley (Colo.) School District. "I believe the new generation of procurement professionals will bring new ideas on how to procure within the limits of our laws and statutes. New procurement professionals also bring with them a flexibility that we may not have seen in the office setting before; they are mobile, web-based, and come from an electronic generation."

McLoughlin says the baton must be passed smoothly. "One challenge we must anticipate is merging the new with the experienced. As managers, it will be critical for us to support both and be diligent in managing change."

To accomplish this transition, training methods are changing to bring retiree replacements up to speed, says Stacy Gregg, procurement manager II for the State Fiscal Accountability Authority at the South Carolina Department of Procurement Services. "In the past, we may have done just in-person training. Now we are taking different approaches to instruction, like webinars and online courses, to satisfy the needs of younger professionals."

Gregg says the new hires are familiar with instructional technology and are often able to get needed training independently with no pushback. "We are finding that, whereas sometimes the older professionals may be reluctant to try to figure things out, the newer staffers don't so much have that problem, because they are used to engaging with current tools to learn new ways of doing things."

Gregg believes their familiarity with technology makes newly hired professionals a valuable addition to the public procurement community. "I'm hoping that their propensity to use technology will make them more strategic as they perform their daily job functions and tasks."

But the question remains - how do industry professionals get younger workers interested in the profession?

ATTRACTING THE NEXT GENERATION OF PROCUREMENT PROS

To help ease the problem of a rapidly depleting workforce, the procurement industry is reaching out to the next generation of leaders in a number of ways,

says Marcheta Gillespie, director of procurement in Tucson, Ariz.'s Department of Procurement.

"Over the past 10 years, we have significantly increased our focus on educating and reaching out to the younger generations to encourage interest in our profession," Gillespie says. One example, she says, is the heavy lifting to bring public procurement curriculum and degree programming into U.S. colleges.

But to truly be competitive, Gillespie says the profession also needs to focus on how the younger generation works and will want to work. "For most of our agencies, the way we work, where we work and what we work on will not be in alignment with how the younger generations want to work, nor will they work in the world that these students are growing up in," she says.



With the realities of our collective resource challenges, cooperatives will continue to see substantial growth.

— Marcheta Gillespie

However, Gillespie says the technological disconnect between younger workers and the current procurement discipline is a major hurdle. "The fact that you cannot process significant portions of your work on a tablet or cellphone is going to be an issue for procurement leadership," she says. "If we don't change, we'll see a significant decrease in numbers of younger generations coming into our field."

Organizations that are essentially paper-based operations may be challenged in attracting younger talent, says Lourdes Coss, formerly Houston's chief procurement officer and now a procurement consultant, speaker, teacher and coach.

"As the tech-savvy generation enters the workforce, they will be looking for the environments that provide the tools and technology to which they are accustomed," Coss says. She tells *Government Procurement* that those new hires may bring fresh ideas to further automate the procurement workplace by leveraging technology.

By becoming more technologically minded and attracting younger workers, procurement managers must not isolate their more experienced, older employees. It's a balancing act, but experts say this increasing diversity in the workforce is ultimately beneficial.

LEVERAGING A DIVERSE WORKFORCE

With younger leaders coming in, and the majority of the workforce aging, today's procurement administrator needs to learn to work across a wide generational range, says Brian Smith, purchasing manager in Multnomah County, Ore. "Some of us are working with and/or managing as many as five generations in the workplace."

Although it can be challenging, this isn't without benefit. Smith says managers can mold a more vibrant and

innovative work environment by leveraging the diversity of life experience among staff members to create a stronger team. These elements, Smith says, include both protected (gender, ethnicity, religion, age, etc.) and non-protected (experience, competencies, interests, beliefs, etc.) elements.

"One thing I've observed is that this newest generation is much more fluid as a group in working across elements of diversity. This approach certainly helps teams focus more clearly on achieving goals and objectives, but it can often suffer from myopically ignoring a broader organizational cultural context," Smith says. "In other words, they're very good at challenging 'the way we've always done things,' but may lack the sensitivity to organizational forces (and how to navigate them) that impede successful implementation."

COOPERATIVE PURCHASING WILL INCREASE

While the workforce is evolving, so too are the methods by which procurement is accomplished. Experts agree that in the coming years more agencies are likely to use cooperative purchasing. "With the realities of our collective resource challenges, cooperatives will continue to see substantial growth," Gillespie says.

The growing number of cooperatives provides more competition in the marketplace, Gillespie says, but that expansion causes greater confusion for the procurement professional community. "The value of the market saturation is that it is forcing the public procurement professional to ensure their own agencies are properly vetting these cooperatives and the associated contracts," Gillespie explains.

This leads to more work for the agency, Gillespie says, "but it also ensures the professional understands 'why' they are taking a particular action and not completely relying upon others to vet a decision."

Strained resources will lead procurement professionals to look to co-ops beyond typical commodity-type purchases, says René Medlin, procurement manager in Kansas City, Mo.'s General Services Department.

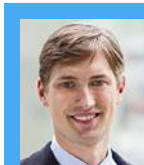


As we become more creative, I definitely see cooperatives thinking "outside the box."

— René Medlin

Medlin's agency currently uses cooperative contracts for complex services, technology solutions and specialized emergency vehicles. "As we become more creative, I definitely see cooperatives thinking 'outside the box' and issuing solicitations that will meet our ever-growing needs," Medlin says. Some potential cooperative contracts in the future, she explains, could cover correctional services, energy-related equipment and supplies and more public-private-partnership agreements.

The demand on procurement professionals to seek



93 percent of buying agency staff that responded to the survey uses alternative buying methods.

— Ben Vaught

opportunities to reduce cost, maximize resources and reduce cycle times continues to escalate, Coss says. “Agencies seeking solutions may see cooperative purchasing as an opportunity to buy time while they acquire the talent and tools to address some of these requests.”

Government buyers are increasingly using a variety of alternative purchasing methods, according to the Onvia report. These include statewide contracts; piggyback contracts; national, regional and local cooperatives; GSA contracts and P-cards.

Ben Vaught, director of Onvia Exchange, says 93 percent of procurement agency staff that responded to the survey is using alternative buying methods. These alternative methods, says Vaught, may save time for the agency compared to formal bidding processes, or they can enable an agency to get a better deal on a commodity buy.

TECHNOLOGY'S GROWING ROLE IN PUBLIC PROCUREMENT

In NASPO's survey, all but three responding jurisdictions indicated they use an electronic procurement (eProcurement) or Enterprise Resource Planning (ERP) system.

“This represents a 15 percent increase compared to 36 states using eProcurement systems in the previous year,” Bender says. “This is a recognition of the continued growth and the value of e-procurement implementations nationwide.”

This begs the question, in what other ways will technology affect procurement? “We will continue to see our supply chain software and ERP solutions move into the cloud and towards greater business process standardization,” says Smith. Automation and innovation, he explains, “should be seen as both a mindset and an approach.” Agencies, however, need better data to understand how their processes are working.

“Some agencies have matured their technology to the point where adding mobility and reducing duplicative efforts across the agency would be an ideal next step,” Coss says. She says technology could be used to integrate efforts across an agency to minimize the duplication that generally exists when requests come from field personnel. “Hand-held devices to leverage the data entry from its origin would help expedite processes and reduce duplicative efforts within agencies,” Coss explains.

As agencies acquire new technology, procurement will be tasked with helping facilitate the amending of contracts and adding provisions and language to protect data and ensure that data privacy laws and policies are followed, McLoughlin says.

She describes the process as a monumental task that

impacts the time, resources, skills, and patience of all procurement staff, contract managers and legal staff. McLoughlin sums up: “Our district has seen these addendums take upwards of six months to get parties to agree. Data privacy is a sensitive issue and as custodians of data, we have a responsibility to protect it.”

THE UPCOMING ELECTION AND PUBLIC PROCUREMENT

It's difficult to discuss the future of procurement without discussing the upcoming presidential election. However, no matter the result, McLoughlin says procurement professionals will continue to perform a vital role.

“Regardless of what comes of this election cycle, we as procurement professionals will still be tasked with acquiring goods and services in a fiscally responsible manner. I do believe that our position at the table will be more valuable as budgets and resources grow tighter.”

Coss says that after the 2016 election, procurement pros may be asked to use more private sector strategies. “There could be greater interest in the implementation of category management, for example, to improve government efficiencies and develop a hybrid pool of procurement generalists to specialists,” Coss says.

Power shifts in elections can be dangerous, since many public officials pledge, “No new taxes,” says procurement veteran Hal Good, former director of procurement and contracting in Frederick County, Md., and Palm Springs, Calif.

“In scenarios where revenues are not indexed, this can produce very challenging pressures when the demand for services escalates and there is insufficient revenue to cover provision,” Good says.

This situation, Good explains, gives rise to low-bid mentality as opposed to best value. It also leads to purchase solicitations based on lowest-price technically acceptable vs. innovative long-term solutions.

In this increasingly complex environment, public procurement needs to effectively navigate among senior executives and members of governing boards, Good says. He believes procurement needs to have a “seat at the table” in order to effectively influence policy.

Further, Good says, the chief procurement officer needs to be versed in multiple disciplines, tech savvy, business savvy and be an excellent communicator. “The CPO must put the goals and objectives of the organization first, and procurement must be seen as a valuable partner in pursuing the overall mission.”

MICHAEL KEATING (michael.keating@penton.com) is senior editor for *American City & County* and the *GPN* website. He's written about the government market for *USA Today*, *IndustryWeek*, *Industry Market Trends* and more than 100 other publications.

MUNICIPAL GOVERNMENTS CAN MASTER THEIR MONEY WITH PAYMENT ENGINE TECHNOLOGY

> **C**ity and county officials often may feel that credit card companies have them in a virtual headlock. While there may be alternatives that could offer significant cost savings, switching to a new payment processing vendor can be tough.

THE PAYMENT ENGINE PROBLEM-SOLVER

A payment engine can resolve the conflict and reduce municipal governments' overall costs of processing electronic payments. A payment engine is a processor-neutral operations platform that connects to multiple internal and external payment channels, automating the authentication, sorting and clearing of online payments.

Implementing a payment engine at the heart of a city's or county's electronic payment program shields governments from having to change their internal processes in order to change providers. The payment engine acts as the interface, permitting governments to switch between processors and merchant service providers.

Governments can still collect electronic payments online or at a counter with little staff retraining, software changes or back-office business re-engineering. In some cases, because existing merchant numbers can be set up in the payment engine, cities and counties experience no waiting for the new provider to issue new numbers.

By implementing a payment engine, cities and counties not only reduce processing fees and other costs. They "master the money" of electronic credit card and eCheck processing by:

- > reducing credit card transaction security concerns,
- > greatly minimizing costs associated with payment card industry compliance,
- > simplifying back-end reconciliation,
- > easing financial auditing, and
- > making it easy to offer mobile payments without having to rewrite code or develop native apps.

MUNICIPAL GOVERNMENTS SHOULD CONSIDER SEVERAL FACTORS IN CHOOSING A PAYMENT ENGINE:

How adaptable is the payment engine to the agency's system?

Suitable payment engine technology will integrate smoothly into a municipal payment system, regardless of whether the system processes

citizen credit card transactions in real time or through a back-end financial system.

Can the payment engine accept and process mobile payments?

The payment engine should serve as a multi-channel gateway, offering a responsively designed checkout page so transactions can be processed seamlessly, regardless of the device a citizen uses to make a payment. This allows the municipal government to accept payments via multiple devices.

Does the payment engine allow citizens to remit payments to more than one municipal agency at a time?

To make payments to multiple municipal agencies, residents or businesses commonly have to visit each agency's website and complete their payments individually. A payment engine, however, can enable payments to several agencies in a single transaction. In the reports it generates, the payment engine should separate the payment amounts to make reconciliation easy.

What reporting is provided, and what controls are available?

An effective payment engine offers customer service tools that make it easy to find transactions and answer citizen requests. Reports should be controllable based on roles and user IDs within the government entity; that is, available to those who need the transactional information, but not to others for whom the data is unnecessary for job performance. The payment engine also should capture chargebacks, Automated Clearing House returns and refunds within the system, and link them back to the original transactions.

How often are reports provided?

Because municipal agencies sometimes need to respond to customers' questions, reports should be available at the municipal government's convenience, not the vendor's. They should be web-based, available 24/7 and provided in multiple formats, including Excel, Word and PDF.

Payment engines give municipal governments a single-payment platform to achieve significant cost savings, operational efficiencies, better service to constituents – and an effective escape from the payment processor headlock.

MUKESH PATEL is the president of NIC Services, LLC, a wholly owned subsidiary of NIC.

> UPPCC new certifications

The Universal Public Procurement Certification Council (UPPCC) is pleased to announce that 100 individuals successfully completed the spring 2016 UPPCC certification examinations administered May 2-14, 2016. The coveted Certified Public Procurement Officer (CPPO) and Certified Professional Public Buyer (CPPB) credentials, recognized throughout the public procurement profession, demonstrate an individual's comprehensive knowledge of public procurement.

Of these 100 newly certified individuals, a total of 80 earned the CPPB certification while 20 earned the CPPO certification. This newest class of professionals brings the total number of certified CPPBs and CPPOs to 10,136 and 2,658 respectively. Obtaining either UPPCC certification requires the candidate to demonstrate through an application process that they meet specific requisites including formal education, procurement related coursework/training and public procurement employment experience. A comprehensive written examination (specific to each certification) is required to confirm the candidate's mastery of a variety of public procurement concepts found in the UPPCC Body of Knowledge. The next certification examinations are scheduled for Oct. 17-29, 2016. UPPCC will be accepting applications for the May 2017 examinations through the Jan. 30, 2017 application deadline (late deadline Feb. 13).

The Universal Public Procurement Certification Council (UPPCC) is an independent entity formed to govern and administer the Certified Public Procurement Officer (CPPO) and Certified Professional Public Buyer (CPPB) certification programs. The CPPO and CPPB programs are highly regarded and respected among procurement professionals and employers involved in the public sector. To date, the UPPCC has certified well over 10,000 professionals primarily within the US and Canada as well as in other nations around the globe.

UPPCC Agency Certification Award 2016 Recipients

Through its Agency Certification Award program, the Universal Public Procurement Certification Council (UPPCC) identifies organizations that have earned the distinguished and unique honor of achieving and/or maintaining a high percentage of UPPCC Certified staff. This program was developed to recognize those organizations that have made a concerted effort to achieve procurement excellence.

- > **Anderson County Government, Tenn.**
- > Arapahoe County, Colo.
- > **Brevard County Board of County Commissioners, Fla.**
- > Central Arkansas Transit Authority (d/b/a) Rock Region METRO)
- > Central Florida Expressway Authority

- > Charleston County Park & Recreation Commission, S.C.
- > Chief Procurement Office- Illinois Department of Transportation
- > City of Ames, Iowa
- > City of Carson City, Nev.
- > City of Cedar Rapids, Iowa
- > City of Chandler, Ariz.
- > **City of Dearborn, Mich.**
- > **City of Independence, Mo.**
- > City of Johnson City, Tenn.
- > City of Lakewood, Colo.
- > City of Lynchburg, Va.
- > **City of Mesa, Ariz.**
- > City of Naples, Fla.
- > City of Palm Bay, Fla.
- > **City of Palm Beach Gardens, Fla.**
- > City of Port St. Lucie, Fla.
- > **City of Raymore, Mo.**
- > City of Sparks, Nev.
- > City of Tarpon Springs, Fla.
- > City of Virginia Beach, Va.
- > **City of Wheaton, Ill.**
- > County of Gloucester, Va.
- > **Hinds Community College, Miss.**
- > Illinois Department of Transportation
- > Maricopa County Office of Procurement Services, Ariz.
- > Mississippi State University
- > **Mohave County, Fla.**

- > **Ohio Lottery Commission**
- > Oregon Department of Revenue
- > Oregon State Treasury
- > **Poudre School District, Colo.**
- > Santa Rosa County School Board, Fla.
- > **St. Vrain Valley School District, Colo.**
- > **Tampa International Airport, Fla.**
- > **Town of Marana, Ariz.**
- > Town of Queen Creek, Ariz.
- > **Town of Sahuarita, Ariz.**
- > Unified Purchasing Cooperative of Ohio River Valley
- > Village of Buffalo Grove, Ill.
- > Village of Glenview, Ill.
- > Village of Niles, Ill.
- > Warren County Purchasing Department, Miss.
- > **Washington County Purchasing Department, Md.**
- > **West Virginia Department of Health and Human Resources**

Note: bold text indicates Sterling Agency Award recipient. The Sterling Agency Award is an advanced level of recognition reserved for those agencies that apply for and achieve UPPCC Agency Certification Award recognition for three consecutive years.

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Little Rock Wastewater
Little Rock, Ark.

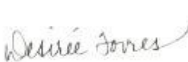
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d. Percent Paid and/or Requested Circulation (Both Print & Electronic Copies) (16b divided by 16c x 100)	86.78%	88.37%
<input type="checkbox"/> I certify that 50% of all my distribution copies (electronic and print) are legitimate requests or paid copies:		
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I certify that all information furnished on this form is true and complete. I understand that anyone who furnishes false or misleading information on this form or who omits material or information requested on the form may be subject to criminal sanctions (including fines and imprisonment) and/or civil sanctions (including civil penalties).

PS Form 3526-R, July 2014

Training Day

> **W**hat are we doing today to prepare the public procurement profession for the challenges of tomorrow? At all levels of government, we seem to be experiencing the “graying” of the workforce. According to the U.S. Department of Labor, the percentage of workers over 55 continues to increase. In fact, 2016 may be our grayest workforce yet. This also means that countless retirements are coming up, including some of our most experienced professionals in public procurement.

SO WHAT CAN WE DO TO HELP BUILD “BENCH STRENGTH” IN PROCUREMENT?

A proven way to prepare individuals for a career in public procurement is through the use of internship programs. Individuals with limited experience are brought into the procurement office and given the opportunity to work alongside seasoned professionals. They perform some routine duties like bid tabulation, procurement system administration and data entry and also assist with more complex functions such as bidder debriefing and price analysis. Through job shadowing and peer observation, they are able to develop skills that are critical to public procurement.

So how does a procurement internship program work? Well, an organization brings in a student, normally a business major, and hires them to work in a public procurement office. They can develop into a valuable resource for a procurement office, while learning all about the

tools of the trade. Who knows? Maybe they will find it as rewarding as we all do and ultimately pursue a career in public procurement.

Now, when I say “hire,” I mean they are paid a fair wage. They bring great energy and new ideas, usually catch on quickly and prove to be a great addition to our procurement teams. I do not believe in unpaid internships. If a student commits to learn and contribute to public procurement, then they should be compensated. While I realize that some organizations, both public and private, offer internship programs that only offer experience as their pay, I believe that is too much to ask. After all, we pay student workers to deliver our mail and empty our recycling bins, so why wouldn’t we pay them to perform purchasing duties?

Organizations such as Multnomah County in Portland, Ore., and Metropolitan Washington (D.C.) Airports Authority administer formidable internship programs. They are highly structured and include an application process for interested interns. These organizations provide a great learning environment, which can prepare students for more

responsible positions within the public sector. It is this type of payoff that make these programs so worthwhile. Like a successful contract negotiation, both parties benefit from the arrangement.

Professions like accounting and legal have long used internships to build expertise within their field. Why not public procurement? I encourage you to work with your human resources offices and NIGP chapters to consider the use of procurement interns.

If you are aware of a procurement internship program within your agency or another, please send me a note. I would love to hear about it.

Procurement internships are critical in creating a sustainable workforce.



DARIN MATTHEWS, FNIGP, CPPO, CPSM, is the director of procurement for the University of California, Santa Cruz. He has extensive management experience, speaks throughout the world on procurement issues, and has published several books and articles on supply chain management. Contact Matthews at darin@ucsc.edu

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- Do contracts' pricing and terms reflect the 'best value' or 'lowest cost' that will be enjoyed by contract users?
- When multiple-award contracts are made, is there a clear rationale that substantiates the decision to award to multiple suppliers?
- Does the program clearly articulate a commitment to ethical practice and public benefit outcomes?

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