



## What Chief Administrators Need to Know About Procurement

### Introduction - Engage with your Procurement Officials

As a close partner for the State Chief Administrator, procurement officials can assist in understanding the impact procurement decisions have on agency customers and taxpayers. Aside from salary dollars spent, every public policy issue is impacted by or results in a procurement action to implement. More and more often, states are recognizing the criticality of procurement professionals and resulting procurement processes in every aspect of public policy. By working together and engaging early in legislation drafting, policy decisions, and procurement planning, Chief Procurement Officers and State Chief Administrators can work together to maximize the value and impact of procurement.

### Value of Procurement - Understand, Support and Defend

As a State Chief Administrator, pressure from lobbyists, the governor's office and other constituents regarding your state's procurement process and its impact to these various groups is common. Understanding the procurement process and its value will help defend and protect the commensurate value it delivers.

Procurement officials maximize taxpayer value through fair and open competition, product and market knowledge, and conducting skilled and effective contract negotiations. The procurement office offers value to government through cost-saving initiatives, such as the establishment of statewide master agreements and participation in cooperative procurement contracts. These types of contracts leverage the buying force of the entities together to drive the cost down for the collective whole. Political subdivisions and other government entities may also utilize and take advantage of the cost savings generated. These contracts can help governments and you, as a State Chief Administrator, to stretch limited budgets and save time in sourcing, bidding, and contract award.

With the evolution of e-Procurement platforms, state procurement offices can create increased competition and transparency as well as data analytics for improved efficiencies and cost-saving opportunities. These systems can also house the historical contract solicitations and resulting contracts for leverage and use in future like-kind procurements.

Cost saving is not the only objective of a procurement organization. Many local small businesses rely on government contracts to sustain and grow their businesses. Government contracts stimulate and sustain jobs and drive the economy. Additionally, government contracts create local economic opportunities for access to national markets through participation in national cooperative contracts. As guardians of the public trust, state procurement officials protect the integrity of the bidding process itself by creating an open and competitive environment where suppliers have equal access to bid opportunities.

A transparent procurement process increases competition and reduces constituent concerns. Any breakdown in the process integrity can result in vendor protests, legal action and media coverage costing the state in terms of money, efficiency, negative political consequences, and taxpayer trust as well as impacting local business and the economy.

### **Procurement 101- The Basics - Guided by Law**

State procurement is more than simply signing a contract. Today's senior procurement professionals successfully address various challenges and opportunities arising from a constantly evolving procurement environment. Procurement encompasses the cradle-to-the-grave life of goods and services. From the definition of needs, to the planning, acquisition, award, contract management, and eventual disposal of obsolete or no longer needed assets; a procurement transaction must include all the components and factors which can be affected during that lifecycle.

However, procurement doesn't simply begin when a need for goods and services arises. Procurement, like so many other functions of government, begins with the legislative process. The law establishes the powers, duties, and responsibilities of the designated procurement professional(s) by defining how goods and services must be solicited, evaluated, and awarded. Laws require that states contract for goods and services in a fair and competitive manner, providing an equal opportunity to all vendors who can meet the state's need. Laws also create a system of checks, balances and transparency to assure that procurement professionals meet the requirements for competition.

Chief Procurement Officers can be a valuable resource in the creation of these laws, administrative rules, and policies. Procurement officials can assist in clarifying, simplifying, and modernizing procurement laws to help governments contract in a more effective manner; offer insights on resources required for implementation; help troubleshoot potential issues; and be a critical support to State Chief Administrators in understanding and complying with procurement laws and requirements. Early involvement in the conceptual and draft phases of the legislative process can yield great benefit in research, create best practices to avoid unintended contracting consequences; protests, legal actions, failed contracts.

### **Changing Needs require Creative Procurement Solutions**

In the ever-changing world, procuring cutting-edge products and services can prove a daunting task for procurement officials. As procurement needs changes, Chief Procurement Officers and State Chief Administrators can partner to determine innovative approaches to meet those needs. While many products can be procured through the low bid approach, complex procurements may be better suited to other solicitation vehicles.

According to the 2011-2012 Survey of State Procurement Practices, 25 of the 43 responding states (8 percent) states have developed some alternative competitive procurement practices, including Requests for Qualifications (RFQ), , Invitations to Negotiate, best value bids with negotiated cost. 18 out of the 43 responding states have even awarded contracts based on return on investment

(NASPO, 2012). It is logical to conclude that, as needs evolve, procurement must also evolve and new approaches must be considered to maximize quality and minimize cost.

Technology innovation and related solutions are creating the need for changing procurement solutions. For example, emerging trends in cloud-based technology needs and public access to information and services through personal mobile devices are testing standard procurement acquisition platforms. High security requirements of private information resident on contractor servers combined with data ownership issues have caused our procurement officials to rethink a state's standard terms and conditions and related acquisition methodologies that are mutually acceptable to our states and our contractors. Replacement of outdated legacy systems with new technology platforms challenge procurement officials to balance the benefits of long term development contracts with associated high risk mitigation strategies over the contract life cycle. Procurement processes and methodologies are not stagnant and require change in meeting these types of changing customer needs.

### **Procurement as a Socio-economic Tool**

Socio-economic policies that are established to meet social goals through procurement are also a challenge for procurement officials as they counter the effectiveness of open competition. Local preference laws, minority and gender-based set asides and preferences, environmental and sustainability mandates, and prohibitions for vendors who have illegal immigrant workers or who have capital investments in countries deemed to have violated human rights all require expertise, time, and money to verify if a vendor meets these policies. While the goals of these programs are meritorious, the focus on these programs diverts resources from the other functions of the procurement office.

### **Challenge to Leveraged Buying Power and Oversight**

The central procurement office standardizes procurement policies and procedures and provides unified oversight and expertise in implementation of state procurement processes. However, this oversight is sometimes limited by state law.. Exemptions for higher education, K-12 education, highway construction, and building construction are common and can be challenging as procurement officials are often called upon to defend or provide guidance on exempt contracts despite their lack of oversight authority. According to the *2011-2012 Survey of State Procurement Practices*, 91.6 percent of all states (44 out of the 48 responding states) exempt highway construction; 77.0 percent (37 out of the 48 responses) exempt higher education, and 58.3 percent (28 out of the 48 responding states) exempt building construction from the central procurement authority and oversight (2012). Exemptions of this nature are inconsistent with sound public policy and business practices. Exemptions reduce the state's leveraged buying power, which results in higher prices for goods and services and also potentially creates two differing sets of expectations and standards.

## Training - The Need for Trained Public Procurement Expertise

With the vast array of needed knowledge and expertise, education is critical for public procurement professionals and those who engage in procurement related activities. Often the state itself is required to perform this training function; create and deliver professional development training programs to its procurement professionals. Additionally, procurement officials may also be called upon to educate the public, governmental partners and state vendors in the state's procurement processes.

Governing Magazine and other industry publications speak to the "Silver Tsunami" - characterizing a growing population of state workers who will soon reach retirement. Procurement professionals in this group are key in the training of more junior replacements as educational institutions generally do not actively offer degreed public procurement programs as part of their public administration programs. Because of this, state procurement offices are challenged to provide more of this training internally or find the necessary funds to provide for external training resources. This investment is great, but the return to the state is greater. NASPO is an additional resource for states in the development of best practices and education and is strategically focusing to help in this effort.

## Conclusion

As a State Chief Administrator, the procurement process can seem very confusing and convoluted. Engaging with your Chief Procurement office early in your tenure will enable you to understand, support and defend the procurement processes of your state that create significant value not only in the acquisition of changing property needs, but also in the creation of new governing state law and policy. In these difficult economic times, your Chief Procurement Office offers a valuable service that can be utilized and leveraged through all levels of state and local government

## ABOUT THIS PAPER

This paper was developed jointly by the National Association of State Procurement Officials (NASPO) and the National Association of State Chief Administrator (NASCA) as part of a strategic partnership aimed at strengthened awareness and knowledge of shared concerns shared by state government procurement and administrative officials. To learn more about NASPO, please visit [naspo.org](http://naspo.org) and to learn more about NASCA, please visit [nasca.org](http://nasca.org).

### References:

Source: 2011-2012 Survey of State Procurement Practices, NASPO, 2012)

### Additional Resources:

The National Association of Chief Administrators: <http://www.nasca.org/dnn/default.aspx>

The National Association of State Procurement Officials: <http://www.naspo.org/>

2011-2012 Survey of State Procurement Practices:

[http://www.naspo.org/content.cfm/id/20112012naspo\\_survey\\_of\\_state\\_procurement\\_practices](http://www.naspo.org/content.cfm/id/20112012naspo_survey_of_state_procurement_practices)