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A conversation between public purchasers and cooperative purchasing program representatives

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Communicating the value

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Advocating education

Opportunities for public procurement and contract management officials to develop and grow as individual practitioners have expanded tremendously over the past 40 years. Training, as opposed to education, has been the exclusive means through which the people who purchase and contract on governments’ behalves have learned what to do and how to do it. Slowly but surely, training is being joined by education, as a small number of postsecondary institutions now offer one or more courses in public procurement and contract management. However, the pace of the emergence of these courses needs to be stepped up.

Why are there still so few undergraduate or graduate-level courses in public procurement and contract management, and especially so in state and local government procurement? Best-practice procurement and contracting play an important role in the management of public organizations, so the business case for offering such courses is indisputable. Instead, the scarcity of such courses can be linked to schools of public administration increasingly becoming schools of public policy, public affairs and public service. Management in government organizations has never received sufficient attention in the curricula of such schools, and the trend seems to be moving in the wrong direction.

Most of the individuals who teach in public administration or public policy programs have little or no public service management experience. The rare ones who do are more likely to have worked in federal government – where good management is the exception rather than the rule – rather than in state or local government, where greater accountability demands good management.

Steepled in theories and conceptual frameworks of administration, organization and public policymaking and evaluation, the typical professor in these programs – no matter how noble her or his intentions – passes on her or his incomplete knowledge and insights to the students who will become tomorrow’s practitioners and professors, and the gap between what needs to be taught and what is taught is perpetuated. These typical faculty members do not support the introduction of more relevant courses and content into their programs from outside suggestion because through the tradition of faculty governance they literally own these programs.

So what can you and your colleagues do to access educational courses and programs in public procurement and contract management? In the short term, you can tap into the small number of courses and programs that are offered through distance learning. Longer term, you can approach the senior-level executives of colleges and universities in your area and present to them the case for offering these courses and programs through their institutions. Your chances for success will be much greater than they would be were you to present your idea to the “relevant” faculty.

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Communicating the Value

Substantial, but Non-Cash Releasing Savings…

By Jonathan White

Last time in this series, I covered four ways that procurement teams can make money for their organizations, all of which were relatively straightforward to calculate and record. This installment covers two crucial types of savings related to process efficiencies and process re-engineering initiatives that won’t necessarily result in real dollars saved, but nonetheless should certainly not be overlooked by procurement teams.

Cash Releasing vs. Non-Cash Releasing Savings…

To briefly recap an article in the August/September 2014 issue of Government Procurement: cash releasing savings are savings that deliver real dollars, which can be spent on additional goods and services or not spent thus contributing to the overall financial health of the organization. A non-cash releasing saving is one that has a quantifiable monetary value to the organization, but that does not directly result in the return of real dollars and cents. This article focuses on the latter.

Purchase Cost versus the Cost of Purchasing

The cost of buying an item or service is often higher than its worth. Depending on whose figures you use to map the procure-to-pay process, the cost of processing a single invoice can range from $72 to $187. No matter how you look at it, that’s a lot of money, especially when you consider that 36 percent of the average public sector organization’s transactions are for less than $100. These transactions only represent 0.44 percent of total expenditure according to 200 public sector datasets that Spikes Cavell have transformed over the last five years. Think about those figures – in 36 percent of an average organization’s transactions, it costs more to go through the procure-to-pay process than the actual value of the goods or services being purchased.
SO WHAT IS THE CALCULATION?

There are three main ways of dealing with the low-value, high-volume transaction problem. They involve the use of procurement cards (pCards), increased automation in the procure-to-pay process and invoice consolidation. In each of these cases, the calculation for the value of the savings equals the cost to process a transaction using the standard procure-to-pay process method minus the cost of the alternative. In the case of pCards, there is still a cost to process the transaction, so the savings is the difference between the cost of the standard process and the cost to process the pCard transaction rather than the standard $72 to $187. There are numerous research sources on these savings, ranging from independent firms to pCard providers. Depending on the research you cite, this can be anywhere between a 49 percent and 76 percent cost saving. Increased automation in the procure-to-pay process through either an eProcurement system or an upgrade to your enterprise resource planning (ERP) system comes at a cost, but it will still result in a less costly procure-to-pay process than the full $72-$187 per transaction.

Lastly, one of the most straightforward and easiest-to-calculate savings is to attempt to eliminate transactions entirely by working with your suppliers to consolidate invoices. In one example, a school district had over 8,000 invoices per year from one telecommunications provider. That’s nearly 22 invoices per calendar day or over 44 per school day. After a couple of phone calls and some time spent in negotiation, both with the supplier and with internal teams, the district was able to reduce its transaction volume to 52 invoices per year – one per week. Assuming the lowest and most conservative cost estimate of the procure-to-pay process of $72, that simple project resulted in an annual, non-cash releasing savings of $572,256.

While responsibility for the processing of invoices does not typically rest with the procurement team, procurement teams do usually oversee the pCard programs, lead on eProcurement initiatives, and are best placed to negotiate invoice processes with suppliers. Therefore, these types of process-related efficiencies should not be ignored or overlooked when recording the value of the procurement team, even if they do not translate directly into additional real dollars available to spend.

AUTOMATING BIDDING AND RFP PROCESSES

The use of electronic sourcing and bidding tools can significantly reduce the time and cost of administering a competitive solicitation process for the public agency as well as for participating suppliers. Electronic processes can reduce the amount of time spent managing stacks of bid documents as well as the advertising and communication costs associated with running an RFP process. These processes can also decrease the postage costs associated with sending out hard-copy bid documentation for construction bids as well as the time required by the agency to tally up all the individual RFP response scores. The calculation of this savings is made by estimating the difference in the number of hours between administering a standard, manual RFP/bidding process and an electronic process, multiplied by the staff cost per hour to run the process. Again, this will be a non-cash releasing saving, because while it doesn’t directly translate into money that can be spent on other goods or services, it does free up staff to run additional procurement projects or to focus on more strategic priorities and fewer purely administrative tasks.

USING YOUR SAVINGS DATA TO PROMOTE THE PUBLIC PROCUREMENT PROFESSION

Narratives about the value of the public procurement profession are important, but they can easily get lost in the world of “Big Data” and the “numbers focus” of many finance directors and business officers to whom procurement professionals often report. At the NIGP Forum in Kansas City, Mo., this summer, three current practitioners discussed the use of data – principally savings data – and how they use it to promote the public procurement profession within their organizations. The session focused on the overall reasons for procurement teams to record and report their value, some example processes by which you can record your value, how to use analytics such as statistics, metrics and data to support the value-of-public-procurement narrative, and how to calculate a return on investment for procurement projects.

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If you aren’t already recording the value that your procurement team contributes to your organization, you can get started with a free MEASURE user license by registering through the NIGP website: www.nigp.org/measure

JONATHAN WHITE, Director; Business Development (Americas), Spikes Cavell – Xchanging Procurement; USA: 151 Spring Street, Herndon, VA 20170, Tel: 1-800-990-0228; UK: 1 Northbrook Place, Newbury, Berkshire, RG14 1DQ, Tel +44 1635 556970
10-YEAR ENERGY AGREEMENTS ARE GROWING IN POPULARITY AMONG PUBLIC ENTITIES - ARE THEY HERE TO STAY?

By Bob Wooten

In the world of government finance and procurement, the standards for agreements dictate that they be “conservative,” “stable” and “predictable.” Because of the need to keep operational costs as low as possible, energy procurement presents a unique set of challenges in the government space. Energy commodities are volatile, and electricity proves to be the most volatile commodity of all. Prices rise and fall daily, making it difficult to ensure low cost and a stable budget.

The approach that many government entities take is to secure a fixed-price electricity agreement. With markets hovering around multi-year lows for much of this year, government decision-makers are taking advantage of these low rates to lock in prices for several years to provide longer-term budgetary savings.

Until recently, the longest terms were commonly 3-5 years. With increasingly deregulated electricity markets, along with the expansion of solar and other on-site generation solutions, public agencies now have more opportunities to address long-term electricity costs and for longer periods of time. Some terms are for a decade or more.

STRUCTURING DEALS FOR 10 YEARS OR MORE

Most organizations value price certainty and budget stability and want to keep those valued things for as long as possible. However, unpredictable market fluctuation makes it very difficult to secure a price for an extended period of time.

To establish a longer-term deal that stabilizes price security, consumers have begun to fix portions of the agreement for different time periods. This model has been used to make deals lasting 10 or more years.

One key aspect of these deals is that clients get access to wholesale electricity market prices. The supplier’s offered price can be compared directly to the general market and checked for competitiveness. If the wholesale market price is lower, the client gets that favorable rate.
UTILIZING WHOLESALE MARKET INTELLIGENCE

When the success of the agreement hinges on addressing future wholesale market costs, it is critical for any consumer considering a 10-year agreement to have full, first-hand access to wholesale energy market intelligence. Budget stability requires fixing costs for various portions of the agreement at different times throughout the term. Securing future prices for wholesale energy is done with as much primary source market intelligence as possible. Otherwise the room for error can be too great.

At the onset, the agreement is essentially an index type, meaning that the bill fluctuates every month because it is solely based on the market. The key to making a 10-year agreement work is to monitor the wholesale market and to regularly fix portions of the wholesale energy cost so that costs can be predicted years down the road.

Don’t attempt to do this yourself unless you have direct access to wholesale market information.

MAKING CONCESSIONS FOR SOLAR

In addition to these recent developments leading to 10-year or longer agreement durations, an expansion of solar solutions is providing more options for consumers. As more entities look to become “green” and generate their own power, opportunities like on-site solar generation are becoming more attractive. But the technical and financial limitations have been a barrier for all but the most serious solar advocates.

A concern for customers has been producing more solar energy than they can use at that particular time. In the past, if an organization produced more solar power than it needed, there was nothing it could do with the surplus. Now, however, consumers can structure their energy agreements to allow them to sell unused solar power back to the utility and earn revenue on it. These solar buy-back programs are frequently referred to as “net-metering.” Suppliers may display this transaction as a credit on the energy bill, thereby allowing the consumer to benefit from selling unused power. Although the specifics of net-metering differ by region, we’re seeing this opportunity in almost every market where energy is deregulated.

In all markets that involve entering agreements with third-party suppliers, consumers have the ability to negotiate for these kinds of provisions. As suppliers increasingly allow for net-metering, customers are able to structure a long-term agreement to ensure budget stability.

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energy agreement in such a way that even enables a future installation of a solar application.

It’s an opportunity that has existed for some time, but suppliers are just now getting comfortable with allowing for it. Net-metering requires additional steps that suppliers have viewed as a costly hassle. Selling generated power onto the grid is a transaction that may eventually be regulated, and if it is, certain licenses will have to be obtained and additional reports will have to be filed.

So why the shift? Like any competitive market, the suppliers that provide enhanced customer services – such as net-metering – will be the ones to gain business, possibly at the expense of those that don’t offer these programs. We expect to see more and more suppliers incorporating net-metering in the future as they witness the success that others have with such programs.

CUSTOMERS GET THEIR CAKE

It definitely pays to always be aware of new developments in deregulated markets.

From an electricity agreement perspective, customers may finally be able to have their cake and eat it too. With market prices so low, solutions are emerging that can allow entities to secure long-term rates through suppliers by monitoring underlying wholesale costs. Then, if they decide to install solar at a later date, the agreement will already be in place to allow for selling unused energy back to the grid, providing a potential source of revenue as well. The long-term options slowly becoming more commonplace are certainly helping government energy procurement adhere to “conservative,” “stable” and “predictable” standards.

BOB WOOTEN, C.P.M., CEP, is Director of National Accounts for Tradition Energy and has over 20 years of experience managing government procurement programs for a wide variety of clients including cities, schools, colleges, universities, housing authorities and municipal districts. Bob holds professional certifications from the Association of Energy Engineers and the Institute for Supply Management, as well as a B.A. from Texas A&M University, and a Master of Public Administration degree from the University of Houston.
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The federal government recently established new requirements under the Uniform Guidelines, Circular CFR 200.317-200.326 for public institutions of higher education. These new requirements create “standard” procurement practices for many state and local public procurement professionals and provide several changes from the Circular A-110. This is causing many institutions of higher learning to study the changes and develop action plans for implementation by the required date of July 1, 2016.

Many of the new requirements under CFR 200.317-200.326 are similar to several procurement requirements of state and local governments. Higher education institutions have communicated that these requirements provide a guide to “good” policy and practices in the conduct of procurement. Most often, procurement officials at the state and local government level look to higher education institutions for expertise and knowledge in developing an approach or support of a practice. With these procurement officials utilizing higher education as a resource, and a requirement to implement the Uniform Guidelines, the standards for these two entities should agree more closely.

To understand the impact, it’s important to understand some of the specific types of procurement standards. The Uniform Guidelines prescribe the following standards for procurement:

- Documented procurement procedures
- Contractor performance oversight
- Employees may not accept gratuities, gifts or favors with a monetary value
- Maintenance of sufficient documentation for:
  - Procurement methods
  - Contract type
  - Contractor selection
  - Basis for contract price
- State and local preferences are prohibited
- Fair and open competition including:
  - Use of “brand name or equal” specifications
  - Contractors involved in drafting specifications cannot submit a bid on that opportunity
  - Avoiding conflicts of interest
  - Avoiding inclusion of unnecessary experience requirements

With higher education institutions, there are additional requirements for obtaining quotations at $3,000 for small-dollar purchases, even if the level is currently higher than this amount. This policy requirement is causing a reduction in the level of competition required for all procurements. It is also causing different levels for federal fund versus non-federal fund expenditures. This demonstrates that disparate policies are impacting procurement procedures. With the ensuing confusion, procurement professionals are unable to streamline procurement processes, and their entity’s procurement activity is less efficient. This concept is common to several state and local procurement officials with policy “conflicts” that inherently expand procurement’s practices and processes.

Throughout our profession, we continue to focus on the efficiency and effectiveness of procurement. We have the responsibility to navigate and implement “conflicting” policies from different levels of government with all levels striving for the same outcome – competition, fairness and transparency. Understanding this dynamic requires the procurement professional to become more educated and knowledgeable of each level of government and of how their public procurement policies and requirements may impact additional levels of government.

JEAN CLARK, FNIGP, CPPO, C.P.M, CPM.
Director, Procurement Transformation Services.
Periscope Holdings, Inc. – NIGP Consulting. Jean Clark is a Past President of NIGP and former Arizona State Procurement Administrator.
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The Super Circular was subsequently reissued and codified as “Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards” (2 Code of Federal Regulations, Part 200). With this first step in grant reform, the federal government created a sort of one-stop shopping center for federal grant administration requirements.

The Eight Previous OMB Circulars Replaced By Grant Reform (Table 1)

<table>
<thead>
<tr>
<th>OMB Circular</th>
<th>Title</th>
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</thead>
<tbody>
<tr>
<td>A-21</td>
<td>Cost Principles for Educational Institutions</td>
</tr>
<tr>
<td>A-50</td>
<td>Single Audit Follow-up</td>
</tr>
<tr>
<td>A-87</td>
<td>Cost Principles for State &amp; Local Governments &amp; Indian Tribes</td>
</tr>
<tr>
<td>A-89</td>
<td>Catalog of Federal Domestic Assistance</td>
</tr>
<tr>
<td>A-102</td>
<td>Grants &amp; Cooperative Agreements with State &amp; Local Governments</td>
</tr>
<tr>
<td>A-110</td>
<td>Uniform Administrative Requirements for Awards with Institutions of Higher Education, Hospitals &amp; Other Non-Profit Organizations</td>
</tr>
<tr>
<td>A-122</td>
<td>Cost Principles for Non-Profit Organizations</td>
</tr>
<tr>
<td>A-133</td>
<td>Audits of States, Local Governments &amp; Non-Profit Organizations</td>
</tr>
</tbody>
</table>

Crosswalk Between Old OMB Circulars & New Grant Administration Requirements (Table 2)

<table>
<thead>
<tr>
<th>Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards</th>
<th>Old OMB Circulars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subpart A – Acronyms &amp; Definitions</td>
<td>All Circulars</td>
</tr>
<tr>
<td>Subpart B – General Provisions</td>
<td>All Circulars</td>
</tr>
<tr>
<td>Subpart C – Pre-Federal Award Requirements</td>
<td>A-110 and A-89</td>
</tr>
<tr>
<td>Subpart D – Post-Federal Award Requirements</td>
<td>A-110 and A-102</td>
</tr>
<tr>
<td>Subpart E – Cost Principles</td>
<td>A-21, A-87 and A-102</td>
</tr>
<tr>
<td>Subpart F – Audit Requirements</td>
<td>A-133</td>
</tr>
</tbody>
</table>
Table 2 provides a crosswalk between the previous OMB circulars and the new grant administration requirements. The second step in federal grant reform was adoption of the new administrative requirements by all federal departments and agencies. The OMB gave federal departments and agencies one year to come into compliance. This requirement was met on Dec. 19, 2014, when the Federal Register (Vol 79, No. 244) published the formal adoption of the “Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards” for all federal departments and agencies.

The next step in federal grants reform is the adoption of the new administration requirements by state and local governments and other recipients of federal financial assistance. This includes sub-recipients, which are organizations that receive federal grant funding as a pass-through from another non-federal organization. All recipients and sub-recipients must be in compliance with the new grant administration requirements no later than June 30, 2016. Unfortunately, many state and local governments, as well as other recipients and sub-recipients, remain largely unaware of the full implications of the changes. Between now and the June 2016 deadline, these organizations will be confronted with steep learning and compliance curves in terms of changes in terminology, cost policies, procurement requirements and audit standards. State and local governments are required to certify that their procurement and contracting policies and procedures are fully compliant with the new provisions.

The Council on Financial Assistance Reform (COFAR) maintains a website with information, FAQs, videos and other materials on the new federal grant administration requirements: https://cfo.gov/cofar/reform-of-federal-grants-policies-2/ 

LAWRENCE (LARRY) MARTIN is professor of public affairs at the University of Central Florida in Orlando. He has published extensively on public procurement, contracting and financial management. Contact Larry at MartinL@ucf.edu.
The use of cooperative purchasing contracts on the national level has increased from 34 percent to 66 percent from 2011 to 2014, and on the state level, use has increased from 43 percent to 83 percent in the same time period, according to a Government Procurement survey.

With this level of growth and the recent launch of its accreditation program for cooperative purchasing groups, NIGP hosted a discussion between public procurement officers and various cooperative purchasing representatives at this year’s Forum to address the topic’s more challenging issues. The discussion was moderated by Bill Wolpin, editorial director of Government Procurement magazine.

Here are some paraphrased excerpts from the session.

QUESTION: I ran into a situation last year on an audit where the audit firm said that our organization relied too much on cooperative purchasing. We did a data analysis and fell into that 5 to 10 percent range. It was really more around 6 percent. Have you encountered or come across organizations that have been audited and had those kinds of comments made?

Ken Koester, director, Unified Purchasing Cooperative: I don’t think anybody up here has, but when I talk to a potential member, what I tell them is you have to consider a cooperative as just another tool. If you think you can do a solicitation on your own better, feel free to do so.

Douglas Richins, CEO, NASPO ValuePoint: I served as CPO for the state of Utah for 23 years. During that time, there were multiple legislative audits that always frankly encouraged political subdivisions such as school districts and higher education to work together cooperatively and to, in our
The responsibility is yours. This is your job. No one’s doing it for you, and that’s the source selection decision you’re making.
energy and understanding? If you have to dedicate more time to the less unique procurements, then that undermines your capability to achieve or maximize the opportunity you have when you’re doing more complex procurements.

Ted Lucas, director of procurement and contracts, Sound Transit: This is your decision to make. This is your procurement. I think we all feel like that, and when an auditor comes and talks to us, they should be asking us, “Are you procuring very well for your jurisdiction using all the tools and resources that you have available? Are you, using the skills that you have, making good decisions on whether to use a bid or an RFP or to use a joint procurement, to sit down with your neighboring county to do something or to actually piggyback and to use something that was actually solicited and awarded by somebody else?” The responsibility is yours. This is your job. No one’s doing it for you, and that’s the source selection decision you’re making. It may include using a cooperative contract, so it’s about due diligence and following state and local legal requirements whatever they may be. You’re responsible for that, and now, NIGP is trying to provide a service to help you sort this out.

COMMENT: Part of the due diligence in properly using a selected contract is not exceeding its legal available scope. You’ll always have users in departments say, “I found out about your great contract with XYZ, and they’re going to sell me this.” Of course, that’s not in the scope of work. We don’t know how it was priced. That’s where the audits could come in.

QUESTION: I use a lot of the cooperatives on our IT contract. The sales person will get with the IT person, and then, I get a quote with a cooperative contract number on it. The IT person in sales has no idea how the pricing was derived. I say, “Show me the contract. Show me how the price was done.” They can’t do it. The IT guys and manufacturers say that the price list is online. It’s 6,000 pages. From an auditor’s standpoint, how do I show this is how they got the price? If you’re showing me a 35 percent discount, show me the price list and how you get to it. One contract I had was $80 an hour less expensive on labor on the state contract, same manufacturer, so how am I, as a purchasing person, justifying to the elected officials that I’m saving money?

Duff Erholtz, membership manager, National Joint Powers Alliance (NJPA): We train our members, or we assist them. Send the quote you receive, or request the pricing file for exactly what you’re buying. Either you’re going to do your own math, or we’re going to do it for you. We have websites, or we have personnel that will assist.
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COMMENT: If you do cooperative purchasing that was done out of Utah as the lead state, a lot of times they have some local vendors in there. Take flooring or carpeting. You have a contract with the national company, but the installers are not national. They’re local, so we always put a use guideline in front that says at the time of purchase you need to do some due diligence, to take some quotes and to get a price. The contract price should be the ceiling. It’s not the very best price, so get a better price. Demand it.

QUESTION: Is it possible to talk about the philosophy or the goals of cooperatives?

Chris Robb, general manager, U.S. Communities:
I’ve been with U.S. Communities for over 10 years. When I started we had 25 contracts, and today, we have over 33, so we only try to do new contracts that we think can bring value to agencies. If we’ve done a contract for years and we no longer think we can bring value, then we will let that contract expire and move on to something else. We’re always going to look for what government needs and how we can continue to bring value.

QUESTION: Do you see yourselves moving toward more services contracts from commodities?

Wayne Casper, group director, National Intergovernmental Purchasing Alliance (IPA): The easiest commodities were the first ones you started seeing on the large national cooperative programs. We definitely do want to move more into services, but services are more difficult, because they are typically performed at the local level. To have a national contract creates that kind of challenge there.

COMMENT: “If you’re going forward with service contracts in addition to your commodities that you have, I would respectfully suggest that you put in your original solicitation, whatever agency is going to do the original bid, that you fall back on prevailing wage in the particular state using the agreement. There are huge titles, and there are huge different hourly rates as far as labor.

QUESTION: How do I make sure I’m complying with a labor-based contract to the satisfaction of procurement officers?

Robb: Our contracts are led and managed by a public agency. U.S. Communities also, in turn, helps manage that contract on a national scale. We do pricing audits through independent, third-party firms.

QUESTION: There’s a lot of research and uncertainty going into shopping around based on what your different

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You may think all cooperatives are the same or heard claims that others are just like U.S. Communities. The fact is there are advantages that are unique to U.S. Communities. What sets us apart is our priority to protect the interests of public agencies and our dedication to providing unmatched value through:

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organizational bios are and the portfolio of contracts you offer and which is going to be the best value for your organization. What kind of coordination, if any, is there between your organizations to help users get more towards an Amazon.com sort of price comparison, or something along the lines of Yelp or YouTube where there’s an exchange of information between different users that has a little more customer feedback or is more customer-focused?

Erholtz: You’ll really get that from your professional development organizations. How many of you belong to organizations that have listservs that you can reach out to? Many of your last questions will be answered that way.

Richins: NASPO ValuePoint is actually trying to work toward something like that. We call it the eMarket Center, and we have several states that are right now with their political subdivisions piloting that. So basically what happens then is the NASPO ValuePoint contracts that the state has adopted flow into that, and it creates a marketplace where orders can be populated, compared and placed. We’re just rolling that out, but we’re going in that direction.

Robb: We rolled out a U.S. Communities marketplace a few years back, so you can cross-shop U.S. Communities suppliers. We’ve also created some private marketplaces, so you can actually tag on additional suppliers to that platform. We launched a program called ProcureSource a few years back to help public agencies navigate their cooperative landscapes. We have contract documents there and due diligence documents. You can shop by contract, by supplier, by category, by cooperative. It’s one website where you can access a lot of great information.

COMMENT: As a central procurement officer, I was always interested in knowing where the documents that made up the contract were. Recently, ValuePoint put all of the solicitation documents and all of the procurement records online with the updated price list. It’s also publicly available. I don’t need to be a member of the cooperative. It’s there. I can see it. I can download it. It helps me independently make some decisions and do some comparison without having to tip my hand to a cooperative or to a vendor that might be out there that I’m going one place or another.

COMMENT: I’d like to hear from the cooperatives up there if they are actively applying for the new NIGP accreditation program. I’d really like to see that NIGP trademark on their cooperative when I go to it.

Koester: We’re looking into it. It’s a lot of information they ask, so it does take time. It’s a fairly expensive venture. I think in some ways it would be valuable. There are seven educational cooperatives in Ohio, and I’m one of the seven. It would be important to me to get it. It’s just a matter of, “Is there enough bang for the buck?” Is there enough return on investment for us?

Casper: We are also reviewing the program. It is very expensive, so there is a return on investment that needs to be looked at. A bigger question to me as a public purchasing practitioner is this: When you’re using a cooperative contract you’re replacing your own judgment with somebody else’s, and if the accreditation program is intended to be a good decision for you like a Good Housekeeping Seal that means you can use the cooperative contract that’s been accredited by a third-party agency, I don’t agree. The responsibility for the contract award still rests and will always rest with the public purchasing official.

Erholtz: We are also looking at it and considering it. As we do the AEP award and the OA4, they are all nice tools to look at or possibly even mirrors to look at our own process, our own policies and to continue their improvement.

Crosby Grindle, vice president, National Purchasing Partners Government: The real question to me is what we can do as an industry to make sure we are all raising the bar and to make sure that we’re all operating in a way that’s useful to our members - everybody in this room. If any cooperative conducts a practice in such a way that someone is audited unfavorably, it looks bad for the whole industry, and it looks bad for all of us. Whether that’s accreditation or coalition or just having these kinds of conversations together to make sure we’re all demonstrating
best practices, I think that’s what’s really important for us. 

Richins: An accreditation of cooperatives is important so that you as an end-user would know the rigor that’s gone through to validate contracts that are awarded.

Maas: The purpose of accreditation is not to in any way suggest that any given contract from any given program is good for you to use. That remains your burden of responsibility. You always have to identify that cooperative contract solution that would meet the needs of your organizations in the best manner possible. The purpose of the accreditation is establishing a standard of practice that ensures that the methodologies used to establish contracts and the management practices around the program itself are consistent and are sufficient to support the scale of operation that the programs should be able to provide. It’s fantastic that every program has talked about this in terms of return on investment. How many agencies hire an outside consultant to come in and do some sort of organizational review for purposes of management practice or process improvement? When you think about what a consulting engagement typically costs an agency, we’re talking about a five-figure or six-figure engagement. The accreditation is as expensive as having a consulting team come in and assess what you do and give you feedback, observations and recommendations as to how you can improve and maximize the effectiveness of your organization, so you do realize a gain on your bottom line. Whether in the first year or second year or so on, there should be a return. What we’re doing is we’re trying to ensure that consistent practices are maintained at a very high level across all the contracts that are provided through a program. In order to do that, we can’t assess every contract, but we do assess a substantial percentage of contracts. We will take a review on the management practices of the lead agencies, and we will take a look at how the cooperative program itself is managed and how everybody along the way is supporting the contract and process throughout the lifecycle of the contract.

Lucas: Practitioners just like you have been trying to put together their criteria for an effective, meaningful accreditation program. How many of your entities have used a cooperative purchasing contract in the last year? How many intend to or would like to use one in the next year? How many of you representing yourselves would like to see the cooperative purchasing programs, many of those represented up here and others, seek NIGP accreditation? As something useful to you. Not to take the job away from you by any means. It’s still yours, but to help you sort things out. <

ELIJAH BLACK is an intern for Government Procurement.
Marketing the Value of Procurement

If your customers had a choice, would they choose you?

By Tammy Rimes

Day in and day out, government employees provide important services that touch more lives than most private companies could ever dream of. Unfortunately, the image of procurement is not always good. In the eyes of many of our customers, we are the department that gets in the way, slows them down or creates roadblocks by saying ‘no’ to their requests. We sometimes assume that by following public procurement rules and regulations that we are doing a good job for the organization. However, that places process above service. Here’s a new way of thinking - what if they were not required to use our services? In other words, if your customers had a choice, would they choose you?

That’s a tough question. You may answer, “Well, they don’t have a choice and have to go through purchasing.” While that’s true, does that mean we shouldn’t try harder, create value and start treating our customers more like clients? To change our customer’s image of procurement, we have to actively market our value and establish an elevated view of customer service.

GIMME THREE STEPS, MISTER...

San Diego County, Calif.’s Department of Purchasing & Contracting (DPC) recently undertook such an effort beginning what it refers to as its “Journey to World-Class Procurement” about two years ago. Taking over a department that already had a solid reputation and sound contracting principles, the new director, Jack Pellegrino, wished to take his team to higher levels of performance and customer service by establishing the lofty goal of “Delivering World Class Procurement Services.” DPC began referring to its internal departments by the private industry terms of “customers” and “clients,” and the organization began focusing their efforts on their specific needs and priorities. First, Pellegrino realigned his organization by assigning both contracting and purchasing staff as members of the same procurement teams in order to provide a full range of expertise and experience. Then, all his major customer departments were listed with specific procurement teams assigned to each. This organization chart was an important visual image to highlight that DPC’s procurement teams should be ultimately focused on their internal customers’ needs and priorities.

As part of a three-step implementation, DPC began by assessing its customers’ needs, along with their current view of procurement’s performance in the categories of knowledge, responsiveness, flexibility and ability to get the job done. This first step was accomplished through a series of...
executive interviews with the customer departments. Then, DPC surveyed its internal departments, and the anonymous responses provided direct feedback that illuminated several areas that needed definite improvement. As a final step, Pellegrino assessed his procurement teams’ skill sets by reviewing each member’s qualifications, experience, depth of knowledge and areas of interest. He assigned staff best suited to support each customer department. Matching the right buyer or contracting officer with the needs of the customer, is not often attempted in the public procurement world. In other words, Pellegrino looked at his customers’ expertise needs and the people involved on both sides of that table, and he made staff assignments to create better matches between contracting officers and clients. Most importantly, to ensure that this support remains world-class, DPC repeats this process by annually surveying its customers, assessing its own performance and adjusting the procurement organization as necessary to continually improve.

After this 2-year journey, Pellegrino says, “Our efforts to create a culture of delivering procurement services focused on our clients’ operational mission are being achieved… Our clients are more satisfied. We are seen as providing value-added procurement support, and most importantly, we are delivering outstanding procurement value to our county taxpayers.” DPC continues to refresh this three-step approach to ensure that it remains current and focused on the operational needs and priorities of county customer departments. Over the last few years, these surveys have demonstrated measurable improvement in customer service levels and customer satisfaction. These survey results show that department customers are recognizing the value-added procurement support, which DPC delivers daily.

CENTRALIZING YOUR EFFORTS

For example, public safety is a customer with high expectations, with first responders who put their lives on the line to serve the public. As such, procurement’s rules and policies are not always appreciated by police and fire departments, who need to obtain equipment and supplies quickly with certain specifications. After years of a
decentralized procurement process throughout Plano, Texas, Diane Palmer-Boeck, chief purchasing officer, discovered the city was not leveraging its total spend for best value contracting, and many department positions were handling purchasing duties but not necessarily trained in purchasing rules and regulations. The city began a process to centralize its purchasing activities to solve many of the identified issues. Palmer-Boeck took a unique centralization approach by placing a dedicated purchasing professional within the fire department to solely support its needs and requests while adhering to centralized purchasing guidelines.

During the early transition, there were some educational issues on both sides. The purchasing official required a better understanding of the culture and needs of the department, and the fire personnel learned the policies of purchasing and why certain information was needed to help the procurement process go more smoothly. The purchasing official attended all team meetings and local conferences with fire personnel and became involved earlier in discussions regarding upcoming purchases. Ultimately, this purchasing professional became a critical member of the fire team. In the words of the assistant fire chief, “Our experience with centralized purchasing has been a positive one. While there were a few early potholes that required the cooperation of both purchasing and the fire department to iron out, we now have a system in place that meets the purchasing needs of the fire department, generally gets us stuff faster than ever before, and importantly, meets the requirements of law and sound purchasing practices. The bottom line… we wouldn’t want to go back to the old system.”

THE VOICE OF THE CUSTOMER

The issue of customer service and support for client departments travels across all municipalities – large and small. As the largest city in the nation, New York City has a huge customer base with competing needs and resources. The former chief acquisition officer, Sergio Paneque, wanted the Office of Citywide Purchasing to become a “value center” where they built a reputation on finding solutions for their clients’ issues. Paneque discovered that the available city-wide procurement contracts were overly prescriptive and limited to mostly commodities, with only $800 million of the city’s $9 billion negotiable spend going through those established contracts.

With support from the Office of Contract Services, Paneque and his team incorporated the “voice of the customer” into their strategic initiatives. While not losing sight of cost or economies of scale, Paneque still recognized that the needs of the sanitation department were very different from police or parks departments. His procurement team strived to be more proactive in understanding these departmental differences. They created more flexible scopes and multi-award contracts with menu-style offerings. For one specific department – security services - procurement’s menu approach was greatly appreciated. Whether the requirement was for around-the-clock security with armed or un-armed guards, the departments were able to choose the exact type of service to address their needs, and they were able to mini-bid more specific requirements to realize the lowest net cost. “No matter the size of the organization, it is the people who matter. Developing those relationships, demonstrating you care, and delivering on your promises every day, that’s what counts most,” Paneque says.

IMPROVING PROCUREMENT’S IMAGE

Recognizing that our customers are the reason that we are in business is an important baseline for procurement. Here are three key marketing efforts that can also help procurement improve its image:

1) Be Specific: If your contract negotiations saved money, don’t just tell your customer department that you saved them money. Give specifics. For example, you might say, “Our RFP process brought in two more competitors to compare pricing, resulting in a savings of 15 percent over our last awarded contract. This will ultimately provide a savings of $35,000 over the course of this 5-year contract.” Being specific leaves a better, lasting impression.

2) Accentuate the Positive: We each have our own, different personal strengths as procurement professionals. Make that strength your “sweet spot.” Become the best person in that one activity and become known for it. Olympic athletes do it all the time by choosing the sport or activity in which they can be the world’s best. When the grisly old cowboy Curly, played by Jack Palance in “City Slickers,” discussed the meaning of life with Billy Crystal’s character, he said, “It’s one thing…and you stick to that.” So, you can choose to be good at a lot of tasks, or you can work hard at becoming world-class in one or two activities that will make all the difference for your department’s reputation.

3) Actively Market Your Accomplishments: Procurement folks know how to buy, but we need to learn how to sell too, as in selling our reputation and value. Many public organizations have a community newsletter or website to display good news stories. Or perhaps, your city manager might ask for a submittal for your mayor’s upcoming State of the City address. When was the last time that your team submitted an article on your latest achievement? Start marketing yourself and your department. Don’t be a spectator at meetings. Be an active participant. Ask to be part of a big project, and work like crazy to demonstrate how procurement is a vital member of the team. Procurement’s role is a supporting one, but it is okay to “toot your own horn” when the opportunity arises.

TAMMY RIMES, MPA, Procurement Consultant
Mythics is an Oracle partner of the year, VAR, systems integrator and consulting firm. The Cooperative Purchasing Network (TCPN) is a national purchasing cooperative whose lead government agency offers competitively bid, evaluated and awarded contracts designed to be leveraged by state, city, county and municipalities. Mythics currently holds TCPN contract #R141801 for Oracle Technology and Services.

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Albert H. Hall Memorial Award

Ronald Watkins, FNIGP, CPPO, 2004-2005 NIGP President, Retired, Grand Junction, Laramie County School District, Colo., won the Albert H. Hall Memorial Award, NIGP’s top honor. This award recognizes a former or present member who has made outstanding contributions to NIGP over an extended period of time. Established in 1977, the Institute named the award in honor of NIGP’s first Executive Vice President, Albert H. Hall, who served the Institute from 1944 to 1975. Persons receiving the Albert H. Hall Memorial Award also earn the designation of ‘Fellow of NIGP’ or FNIGP.
Distinguished Service Award Winners

Public procurement officials and other individuals who have distinguished themselves for their contributions to public procurement.

Kathy Elgin, CPPO, CPPB, Chief Procurement Officer, Leesburg, Va.
Beth Fleming, CPPO, CPSM, C.P.M., Director of Purchasing, Denton County, Texas
Jennie Readey, CPPO, CPPB, Retired, Colorado Department of Transportation

Anne Deatherage Meritorious Service Award

Established in 2005, this award is named in honor of NIGP’s Deputy Chief Executive Officer, Anne Deatherage, who served the Institute in a variety of leadership capacities from 1972 to 2005 and is awarded to individuals who have dedicated their career to advancing the public procurement profession.

Brent Maas, Executive Director for Business Strategy and Relationships, NIGP

Professional Manager of the Year

The Professional Purchasing Manager of the Year Award recognizes management professionals who have made significant contributions to procurement, professional development, their entity, their chapter and the Institute.

Kevin Beardsley, CPPO, CPPB, Director, Purchasing Services, Virginia Beach City Public Schools

Professional Buyer of the Year

The Professional Buyer of the Year Award recognizes non-supervisory professionals who have made significant contributions to procurement, professional development, their entity, their chapter and the Institute.

Jon Walton, CPPO, CPPB, JD, CPM, Contracts Officer, Oregon Business Development Department
Chapter of the Year Award Winners

Consideration for Chapter of the Year requires a substantial chapter commitment to document and demonstrate its achievements over the past year. We recognize these chapters for their dedication to supporting their communities and the resolve necessary to elevate their unique achievements.

Innovation Award

The NIGP Innovation Award recognizes outstanding contributions in the field of public procurement by governmental agencies that have developed cutting-edge, non-standard, forward-thinking approaches to meeting the needs of the clients they serve. The award is based on originality, effectiveness, significance and transferability.

San Diego County, Calif.
Customer-focused Procurement
Realignment for Service Excellence

Measure Up Award

The Measure Up award recognizes the NIGP member agency capturing and reporting the greatest savings and efficiency gains using the free NIGP member resource called Measure.

Houston, Texas
Savings/optimization totaling $9.6 million or 2.5 percent of $386 million influenceable expenditure.

MEASURE is a complimentary online tool for NIGP member agencies of all sizes to record procurement’s contributions to their organization’s success. Available in the Resource Center at nigp.org.

NIGP Diversity Essay Award

John Mahin, CPPO, CPPB
Interim Purchasing Manager
Johnson County, Kan.

Topic: Program Sun-setting. What happens when we lose a successful diversity program? Where does the work and needs go?

NIGP Ethics Essay Award

Christina Pryor, CPPB
Purchasing and Materials Manager
Chandler, Ariz.

Scenario: A county buyer who just completed evaluation and award of a security surveillance system notices on a social media site that a member of the evaluation team posted a picture of himself at a party with a company executive from the company that was awarded the contract. This evaluation team member signed the non-disclosure form prior to serving on the evaluation team which included acknowledgement that he had no known conflict of interest related to the procurement.
During its 1984 restoration, scaffolding rising 240 feet was erected around the Statue of Liberty; just one of the products procurement professionals purchase every day.

Like the Statue of Liberty, NIGP is a landmark. Since 1944, the Institute has been providing ground-breaking professional development programs to government procurement professionals throughout the world. It’s a legacy we are proud of.

Join us and discover the time-saving resources, collaborative peer-to-peer communities, and innovative best practices our members enjoy. Visit nigp.org/membership or call.
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> Fulton County - Department of Purchasing, Ga.
> Gwinnett County, Ga.
> Hillsborough County Aviation Authority, Fla.
> Las Vegas Convention & Visitors Authority, Nev.
> Loudoun County, Va.
> Metropolitan Water Reclamation District of Greater Chicago, Ill.
> Norfolk Public Schools, Va.
> Old Dominion University, Va.
> Pima County, Ariz. – Procurement
> Peel, Ont.
> Wellington, Fla.

UPPCC AGENCY CERTIFICATION AWARD 2015 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.

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> Arapahoe County, Colo.
> Arizona Office of Tourism
> Brevard County, Fla.
> Broward County Housing Authority, Fla.
> Ames, Iowa
> Chandler, Ariz.
> Frisco, Texas
> Green Cove Springs, Fla.
> Independence, Mo.
> Lakewood, Colo.
> Longmont, Colo.
> Lynchburg, Va.
> Mesa, Ariz.
> Olathe, Kan.
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> Palm Bay, Fla.
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> Hills Community College, Miss.
> Johnson County, Kan.
> Little Rock Wastewater, Ark.
> Louisiana DOT & Development
> Maricopa County Office of Procurement Services, Ariz.
> Mohave County, Fla.
> Norfolk Redevelopment and Housing Authority, Va.
> Ohio Lottery Commission
> Oregon Department of Revenue
> Oregon State Treasury
> Reno-Sparks Convention & Visitors Bureau, Nev.
> Riverbanks Zoo and Garden, S.C.
> Alaska, Division of General Services
> Illinois, Chief Procurement Office - Public Higher Education
> Illinois Department of Transportation
> Illinois Procurement Policy Board
> St. Vrain Valley School District, Colo.
> Tampa International Airport, Fla.
> Marana, Ariz.
> Sahuarita, Ariz.
> Unified Purchasing Cooperative of the Ohio River Valley, Ohio
> Glenview, Ill.
> Niles, Ill.
> Virginia Beach City Public Schools, Va.
> West Virginia Department of Health & 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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**Pioneer spirit**

A pioneer is a person who is among the first to explore a new area. Without a doubt, Betty Bingham meets this definition. She blazed a trail for women in public procurement and truly set the standard for passion and commitment to a profession.

In 1987, Betty became the first female president of NIGP. Up until then, the institute had only elected men to this top position. Founded in 1944, NIGP was quite similar to other organizations that for decades had primarily white males among its members and leaders. In fact, take a look at conference photos from decades ago, and you will see a lot of people that look alike: middle-aged white men that generally had the same suit, same haircut and same pair of horn-rimmed glasses.

Thanks to people like Betty, we can take pride in being a part of a profession that embraces diversity and has leaders of all kinds. After she filled her term as president, NIGP went on to elect seven women to this role in an 18-year span. Talk about starting a trend!

A few years ago, NIGP surveyed our membership in North America and found that the majority of public procurement professionals were female. The Institute for Supply Management (ISM) has found similar trends in its research, including more and more women serving in the role of chief of procurement and supply chain. ISM also reports that the disparity in salaries between male and female professionals continues to narrow.

During her career, Betty served as the purchasing director for Louisville/Jefferson County, Ky. She served on countless committees for her own chapter and the national board, and she received NIGP’s highest honor, the Albert H. Hall Memorial Award in 1995. The Kentucky Public Purchasing Association has named its lifetime achievement award after Betty Bingham.

Some of us are natural fundraisers, and Betty definitely had that knack. During the 1990s, NIGP worked to purchase its own building, and nobody was more committed than she was. Rick Grimm, CEO of NIGP, remembers that, “She notably carried a brick in her purse to fundraise for the cause.” He also referred to Betty as “an amazing woman.”

Her professional accomplishments are too extensive to list in this column, but I will mention a couple. She served on the Lewis E. Spangler Scholarship Committee that provides educational funding for procurement professionals and students, and she was also instrumental in the development of the Model Procurement Ordinance for Local Governments published by the American Bar Association.

I was just an up-and-coming buyer when Betty was NIGP President, but even then I knew of her standing in the procurement community. Two decades later I was President of NIGP myself, and guess who was still volunteering her time on national committees?

Is Betty Bingham a role model for women working in public procurement? Absolutely. But I also consider her a role model for us guys in the horn-rimmed glasses.
3 Trends Driving Cooperative Procurement of Construction Services

Faced with diminishing administrative resources, those in the public sector have increasingly turned to cooperative purchasing networks to procure goods and services over the years. As the use of cooperative purchasing networks continues to grow, so too are certain services procured through this powerful vehicle. Among those services that have seen growth is the procurement of construction services through cooperative purchasing networks. State and local administrators who access their repair, renovation and straightforward construction procurement through cooperatives find that this method is cost-effective and time-efficient. Three key drivers are increasing the procurement of construction services through cooperative purchasing networks.

1 Reduction in Administrative Resources

According to the recent webinar hosted by American City & County magazine, Procurement Secrets of High Performing Local Governments, in just the last five years, over half of the U.S. states have seen a change in their Chief Procurement Officer. Additionally, procurement staffs have undergone major reductions, due to the Great Recession and the retirement of the Baby Boom generation. A decreased staff may struggle with a loss of institutional knowledge resulting in the need for state and local government to seek more efficient alternatives to accomplishing their department goals. Gordian ezIQC® is an easy and intelligent process of procuring repair and alteration services through cooperative purchasing networks. Local and state government administrators gain access to on-call contractors, and the process satisfies local competitive bidding requirements.

2 Push for Efficiency in Procurement

Those who use ezIQC for their repair, renovation and straightforward construction needs experience a streamlined procurement process, while incurring lower construction costs. With ezIQC, contractors are available to get started on projects immediately, reducing the response time from the weeks and months of traditional bidding methods to just days. Cost efficiencies are realized through lower direct construction costs, reduced procurement and administrative expenses, and post award construction savings.

3 High Quality of Work

The ezIQC process is a performance-based contracting system, so contractors are motivated to provide a high quality project. An open, collaborative relationship with the contractor is established right from the start, when the contractor inspects the project site and asks questions before submitting a Price Proposal. This step helps to eliminate the misunderstandings and mistakes that lead to most change orders, and invites suggestions for value engineering, often resulting in more cost-effective solutions.

Gordian ezIQC enables local and state government administrators tackle their repair and alteration needs quickly and efficiently.

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