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“NOT JUST WHAT, BUT WHY AS WELL”

By Stephen B. Gordon, PhD, FNIGP, CPPO

A gentleman by the name of Ed Sullivan – but not the TV host who brought the Beatles to America – took me on as a mentee early in my career. Ed had been the purchasing agent for Bridgeport, Conn., but as a result of smart investments was able to retire early and move from the northeastern U.S. to the much warmer climes of southeastern Florida. In his retirement, he became one of the early instructors in NIGP’s seminar program.

Ed was an outstanding instructor. With his intellect and Irish wit, Ed brought life to such “exciting” topics as the legal aspects of procurement and documenting and reporting. Trust me, not all the instructors of that era held the attention of the students when they covered the drier topics. As the then-director of the NIGP training program, I once considered asking Lew Spangler, the Institute’s executive vice president, to increase the Institute’s liability coverage in the event one or more seminar attendees should fall asleep and injure themselves on the floor or on the way down to the floor.

Like many good teachers, Ed used metaphors, similes and stories to drive home his points. My favorite was the story Ed would tell when teaching the unit on planning and scheduling in what then was known as the Basics of Public Purchasing course. Ed loved to regale his audience with the tale about how, in relation to the procurement of road salt for Bridgeport, it took him a long time to get the public works director to understand the sequence of the seasons of the year – that spring preceded summer, that summer preceded fall, and fall preceded winter – and the significance of understanding that sequence. After several iterations, the public works director finally grasped the sequence of the seasons and the necessity of ordering the road salt in time to receive it before the snow began to fall.

Perhaps Ed was stretching the truth just a bit with that illustration, but he got across at least two very important points: one, that planning and scheduling is more than a theoretical principle of good public purchasing, and two, that it is essential not only to tell people that they must do something but can’t explain the necessity or priority of my having to do so.

In the context of strategic public procurement, procurement officers must enable those with whom we work – including our colleagues, our subordinates, those to whom we have delegated procurement authority, our clients and sometimes even our superiors – to understand and accept why it is important in light of our entity’s mission, vision and goals, for them to do things when they must be done. Our explanations don’t have to be as entertaining as Ed’s, but they must be equally effective.
Government fleet managers are asked to do a lot. Just imagine how much you could get done if you had a little help. ARI’s Government Fleet Team has specialized experience working with the public sector to complement existing processes – from supply chain management to garage management to fuel management and more – to find efficiencies, fill the gaps and develop best practices that lower the total cost of fleet ownership. Someday, science may discover a way to clone fleet managers. Until then, there’s ARI.

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Visit www.arifleet.com
IGP is important in moving public procurement towards professionalism, but we cannot say we’ve achieved that goal. For example, we need to create demand at the college level so that more universities provide course work in public procurement. We need to spread the word on public procurement’s relevancy so those in city hall and state capitals understand our value and demand nothing less than a public procurement professional to manage taxpayers’ dollars.

NIGP 2.0 Governance Structure
The NIGP board is transforming our governance structure to ensure that the institute is in the enviable position to address the dynamic global marketplace. Our goals include empowering more members to participate in councils and committees, leveraging stakeholder expertise and thought leadership, focusing on strategy and outcomes, leadership development and sustainability and finding the right leaders to lead in the right positions. This effort – under the banner of NIGP 2.0 – would not have been possible without the collective wisdom and energy of the volunteer Implementation Team that met over 10 months to forge the new structure. The team is a magnificent blend of practitioners and thought leaders who collaborated on the optimal model for the institute. The NIGP board is particularly appreciative of their passion and commitment to the institute.

Chapter Leader Challenge
While the NIGP board transformed its governance to ensure relevancy, we must also ask our chapter affiliates to do the same assessment. The historic model of a chapter-based organization had people joining out of loyalty because that is what people did. It gave them a social outlet and a way to exchange ideas and information and network with others.

The world has changed. If I want information, I can sit in my living room and search the Internet. If I want a social outlet, I can go to dozens of different websites.

Historically, chapter members wanted to be part of a committee where they could work with the same people over time to accomplish great things. Today’s workers may not want a long-term commitment. Today, they may want to be part of a task force where they have a mission, accomplish it and then move on to something else.

Are we providing high-level education and adding value when they come to a chapter meeting? What are their needs? Are we meeting these needs by providing opportunities for our volunteers to contribute their unique knowledge, skills and abilities? What percentage of chapter members is truly engaged? I challenge chapter leaders to look at these issues and think about how you could transform your own organization.

Passion and Time
Remember, one individual can have a tremendous impact but cannot spread the word alone. The NIGP board cannot create a profession on their own. Others must spread the word to others, who will then spread it further.

We shouldn’t be saying, “We don’t get any respect.” We should be showing our value and earning that respect. NIGP is a great organization; it supplies you with resources so you can do your job better but it cannot be your spokesperson.

Where do you fit in?
Can you help to improve the profession? Can you help NIGP? Your local chapter? How about participating in international evaluations to determine the best practices that can be recognized around the world? Or working with local universities to implement public procurement course work? Mentoring others so they can get certified? Researching unique procurement practices to find better methods? What is your level of knowledge, skill, ability and passion?

The future of the public procurement profession is in your hands. Decide what you will do to help all of us achieve our dream of being “highly regarded members of a respected professional order.”

This column was excerpted from 2014 Forum Opening Session.

DON BUFFUM, CPPO, is the NIGP president and director of procurement and contracts at Mississippi State University.
Over ninety percent of Mount Rushmore was carved using strategically placed charges of dynamite; just one of the products procurement professionals purchase every day.

Like Mount Rushmore, 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.
Greenbuild was this October and took place in one of my favorite cities, New Orleans. I love how the old, new, shiny and grimy merge into one undeniably unique feel/sound/smell that no other place on the world has. The Greenbuild show often has the same unique feeling. While we learn about the shiny new updates in sustainability at the trade show, we also learn how to get grimy actually implementing sustainable practices in the continuing education units. However, Greenbuild’s most value is in talking with others about today’s and tomorrow’s trends.

To give you an understanding of the next sustainable procurement trend, I met with professionals there and combined that with what others are saying.

THE EXPERTS:
- Dan Burgoyne, sustainability manager for the California’s Department of General Services, a voting member on the USGBC’s MR TAG and national board member of USGBC.
- Don Horn, deputy director of the U.S. General Services Administration’s Office of Federal High-Performance Green Buildings and member of numerous USGBC rating system core committees. [Full disclosure: Horn, Sullens and Jacobs are all voting members on ASHRAE 189.1, and Burgoyne and Jacobs have served on some multi-attribute committees together.]

WHAT’S NOW?
One consistent thread throughout each discussion was transparency. Environmental Product Declarations (EPDs), clearer disclosure of the criteria met in standards and Health Product Declarations were all brought up as ways in which transparency is integrating itself into sustainability. These tools,
along with others focused on transparency, aren’t just a flash in the pan, but something that is truly transforming sustainable product purchasing.

“Procurement professionals are taking a more complete look at a product’s use, environmental and health impacts,” states Burgoyne.

“Transparency is helping provide a more complete picture.” Sullens adds, “Whether it be in architectural specifications, local purchasing requirements, rating systems or codes, people are becoming more comfortable with EPDs and other lifecycle transparency tools. When this information is married with the known safety and health implications of a product, we have a more complete picture of a product’s full impact.”

I wondered if the procurement community was ready for all this data. “I don’t know if everyone is as educated now as they will be later on regarding the initial incoming data,” explains Horn, “But simply making the data available is something that will help kick-start the education process, as well as help us set more accurate leadership levels in the future.”

“Getting the data out is an important step in the process,” adds Burgoyne. “It will help us understand the impact baselines of product categories.”

Multi-attribute product standards that treat products the way that rating systems have treated buildings (e.g. NSF 140 Carpet and UL 110 Mobile Devices) were brought up more than once. “Multi-attribute standards are something that we see in both state code (CALGreen) and national code (ASHRAE 189.1),” Sullens says. “This is an area where rating systems and individual procurement are catching up with some of the higher-performance codes.”

‘Green’ folks often tend to be on the cutting edge, looking for the next new thing, but part of my discussions centered on the reason that single attribute standards remain relevant. “Single attribute standards are still a great indicator of a specific area of impact on the environment or health,” says Sullens. “Our focus on getting credits in rating systems has probably helped procurement officials know more about what is going on in sustainability.”

**WHAT’S NEXT?**

When each discussion focused on the future, the conversations were revelatory. Sullens predicts that, “City and county climate action plans are going to drive a lot of procurement decisions in the future. For instance, analysis recently done by our county concluded that the way we service our buildings can have as large an impact as how we operate our buildings. The things we buy directly affect the carbon footprint of ancillary service contractors, and we plan to focus on that nexus next.”

Burgoyne adds that, “With our updating of Title 24, Zero Net Energy goals are going to drive a lot of what not only building will be about, but procurement as well.”

“The impact that buildings have on not only the productivity of occupants, but also on their health and well-being is where we see a lot of new research,” states Horn. “We have known for a while that exposure to daylight has improved, at least anecdotally, a person’s perceived productivity/ performance. At GSA we are actually doing research at a number of our locations on collecting people’s exposure to daylight. Will this help reduce stress, improve well-being and therefore productivity? We don’t know yet, but we hope to find out.”

Whether it was spending time in the oldest structure in the United States that is currently being used as a bar, having dinner in an 1830s mansion that had been ‘unrenovated’ because the owners wanted to have the place as close to original as possible or just walking around and looking at the wonderful New Orleans architecture, I was reminded of why old isn’t always bad. But through my discussions with these experts and many others, I can clearly see the path forward for sustainable procurement. It may feel new, complicated and sometimes daunting, but as always, there are many resources to help with implementation and understanding.

**JOSH JACOBS**, LEED AP+ BD&C, is the technical information & public affairs manager responsible for outside standard participation for UL Environment. He helps develop and track the ‘sustainable’ programs/codes/purchasing programs that are being utilized and developed throughout the world.
Your organization’s electricity contract is set to expire, and you have to make a decision soon. You’ve been told that you’ll get the best deal if you join a regional energy aggregation that already has a membership made up of around 20 organizations like yours. You’ve also been assured that the size and membership of this aggregation will enable you to get the best contract terms and the best rates for your organization – better terms and rates, in fact, than you would get if you handled energy procurement on your own.

Does this scenario sound familiar? To anyone with experience in energy procurement or energy buying, it probably does – especially if you work for a government organization.

There are benefits to aggregation, of course. By joining an aggregation, you’re spared the time and labor involved in shopping around for the energy provider with the best rates. You don’t have to negotiate or monitor the markets. And in some cases, you do get lower prices.

From a pure purchasing standpoint, aggregating demand makes sense. This is the logic that drives those members-only, bulk-style warehouse stores like Sam’s Club and Costco. In most cases, the more of an item you buy, the less you pay.

Unfortunately though, what works for buying and saving on ordinary consumer goods doesn’t necessarily work for a process as complex as energy procurement.

CONSIDERING THE TRADE-OFFS
When trying to describe the tradeoffs of an energy aggregation, I often use the metaphor of the standard one-size-fits-all conference lunch: Everyone attending the conference gets the same meal. More than likely, it’s probably going to be chicken and a side dish of some kind.

Now, the chicken might be a bit on the bland side for your taste. Maybe you don’t even like chicken very much and would have preferred fish or a vegetarian option instead. And given the choice, you probably would have selected a different side dish. But the lunch was planned to suit the needs of the majority of conference attendees rather than the tastes of the individual. And although the meal may not be your favorite, you won’t leave the conference hungry. It’s a perfectly adequate, perfectly unexceptional meal.

Think of energy aggregation like a typical conference lunch. You’ll get what you need (in this case, electricity and/or natural gas) – but you won’t get much say in how it’s delivered and you don’t have any control over pricing, market timing or anything else, for that matter.

The bottom line: If your organization is considering an energy aggregation to get lower prices, it’s critical to think about what you won’t be getting.

CONTRACT TERMS
In an aggregation, contract terms are decided upon by the group rather than the individual – and in many cases, it is a small committee or individual representing the group that decides upon the terms. In most cases, this means that the terms of the contract will be watered down to meet the needs of all organizations in the aggregation. As a result, you may end up in a contract with terms that at best don’t especially benefit your organization and at worst may actually hurt your organization.

For example, the aggregated contract may agree that 20 days to pay is the best overall billing term, whereas your organization would really benefit from having 45 days to pay. Bandwidth and usage tolerances are also key areas where, if they are not customized around your specific needs, they can result in costly financial penalties down the road.

PRICING & MARKET TIMING
Although aggregation is often presented as a way for several organizations to save on energy costs, this group-buying strategy may not actually be the most cost-effective. This is because pricing for an aggregation is based on the energy usage profile of the group as a whole, rather than individual usage profiles. What often happens in aggregations is that larger organizations that use more energy essentially end up subsidizing smaller ones that use less energy. If your organization is large, you may actually be better off in an individual contract.

Another issue is timing. The wholesale energy market is often the biggest determinant of the price an organization pays for energy. But the market can change drastically from day to day and week to week.
week; the only way to really take advantage of market behavior is to act quickly. Because aggregations are so large, they often lack the ability to move swiftly enough to take advantage of specific market timing.

**FLEXIBILITY AND CUSTOMIZATION**

When it comes to energy services, price is only one of many factors that determine total value. When choosing an energy provider, it’s important to look at all additional, value-added energy services that augment your operations before making a decision. For example, some providers offer flexible rate structures, and others offer demand response or curtailment programs that provide organizations discounted rates in exchange for curbing use. Even the particular pricing product selected should be customized around your specific needs – for instance, a fixed-price product vs. a block-and-index product.

In a typical aggregation, though, these options rarely enter the discussion. Most aggregations look at price only and ignore value-added products and services altogether. In this scenario, the initial cost per kWh may look low, but your overall value is not as great as it would be through a customized solution.

**THE BEST OF BOTH WORLDS: OUTSOURCING AS AN ALTERNATIVE**

In many cases, aggregation is presented as the best possible choice for government entities – and energy procurement decision-makers often face enormous pressure to join aggregations.

But is an aggregation really the optimum choice when it comes to getting the best possible energy contract? Or is it actually better to strike out on your own to get a more customized and flexible agreement?

As it turns out, the best approach may be somewhere in between aggregating and procuring in-house.

Aggregation can be a convenient option – someone else does all the legwork, and your organization may pay less for energy. But in exchange for convenience, you give up a lot of autonomy. Purchasing energy yourself gives you back that autonomy – but it can be time-consuming and difficult, especially if you lack energy expertise in-house.

Another option to consider is outsourcing your energy procurement to a third-party company or energy consultant. This option gives you the convenience of an aggregation – someone else shops for the best price and negotiates the contract terms – with the freedom and flexibility of purchasing energy as an individual organization utilizing expert market intelligence.

There’s really no “right” way to buy energy, and there are tradeoffs to every option. But when you understand the limitations as well as the benefits of an aggregated approach to energy buying, you are better prepared to evaluate your options and make the decision that is best for your organization and your budget.

**BOB WOOTEN, C.P.M., CEP, is director of government 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 Masters in Public Administration from the University of Houston.**
OVERCOMING PROCUREMENT’S TRANSFORMATION CHALLENGES

By Jean Clark

Procurement transformation refers to a “specific type of organizational change management which focuses on strategies to enable major and long-term improvements to procurement… processes, activities and relationships,” according to Marc Day and David Atkinson in an article in the Journal of Purchasing and Supply Management.

The public sector is becoming laser-focused on procurement transformation as we seek to strengthen the strategic value of the procurement function and highlight its vital role in increasing efficiency and maximizing the value of every dollar of taxpayer funds spent.

Below are five of the most common procurement transformation challenges NIGP consultants have been tackling with public procurement professionals across the country and our shared perspective on how to overcome them:

**Customer Service:** Purchasing organizations are operating in a “clerical” fashion, absent a strategic focus, organizationally “trapped” and structured to support this mode, while seen as a “roadblock” and provider of inconsistent procurement services by their clients. To address this challenge, NIGP consultants analyze procurement process pain points and provide solutions for maximization of the processes. Such solutions involve increased delegation of authority, modified organizational structures and new strategies for communication (procurement advisory councils).

**Technology:** In many organizations, finance and budget departments drive decisions on system deployments causing a lack of technology optimization for procurement’s success. This challenge rests at the heart of many silo systems, process inefficiencies and the overall effectiveness of procurement. For procurement to be as efficient and effective as possible, its technology must support the procurement operations from requisition processing to data analysis. In reviewing opportunities for enhancement, the NIGP consultants evaluate the capabilities and effectiveness of existing systems to provide solutions to fill the gaps or support replacement — for example, document management or receipt of electronic proposal responses.

**Knowledge:** Purchasing professionals understand how things work at county “X” or city “Y,” but they often haven’t been exposed to opportunities for greater knowledge of best practices to assist in transformation for their entity. Procurement transformation (change) is difficult personally and organizationally. It requires proper knowledge, perseverance and possibly support to effect change in an organization. NIGP Consulting is equipped with procurement certifications, professional “hands-on” operational experience and best practices resources to assist all types of public procurement organizations. For example, it recently recommended a modification of P-Card transaction limits or types of purchases based on the RPMG Purchasing Card Benchmark Study.

**Data:** Procurement organizations typically perform with the use of disparate systems causing islands of separate data and the inability to gather meaningful data to perform data analysis. Additionally, procurement performance metrics have been limited in practice and in articulating the true value of procurement. It is procurement’s responsibility to articulate its value and purpose to the organization. The best means to communicate this is through performance metrics, which require an understanding of the organization’s key purpose and goals.

**Sourcing:** Procurement organizations have not fully optimized the value and use of strategic sourcing into their procurement operations. Strategic sourcing requires additional knowledge and skills in data analysis, market research, facilitation and consensus building; nevertheless, the rewards for robust strategic sourcing are great. The organization assists in capturing and analyzing the sourcing data, followed by the deployment of various sourcing strategies. This support provides the backdrop for needed sourcing transformation to be learned and adopted in many procurement organizations today.

On average, our NIGP consultants have more than 25 years’ experience in public procurement and have watched our profession change dramatically over the years. Together we can and will transform public procurement.

**Jean Clark**  CPPO, C.P.M., CPPB, CPM, is the director of procurement transformation services for Periscope Holdings.
I drive a pickup to work, not a hybrid.

I do love trees. I’m just not a hugger. Don’t get me wrong, I care about the environment. I mean, how couldn’t I? I’m the one in charge of keeping the trees pruned, the grass cut and public spaces all around town looking spectacular. Then again, I care about a lot of things. Number one on my hot list these days is how I’m going to be able to continue operating with shrinking budgets for equipment and crew. So when my Grasshopper dealer told me about how their fuel-injected diesel engines could save my department literally tons of fuel AND put dramatically fewer emissions into the air we all breathe, I was all ears. After a test ride, a night’s sleep and kicking it around with my crew, I decided to give it a shot. And after a summer of flawless cuts with minimal downtime, and thousands of dollars of fuel savings, I became a true believer. Just like my trusty old pickup, my instincts didn’t let me down.
Moving from tactical to strategic

Five fields key to becoming a strategic procurement agency

By Mike Richart
Procurement practice has been evolving for decades as both public-sector and private-sector chief procurement officers (CPO) move from tactical, administrative functions to the more strategic. Innovative processes like strategic sourcing and cooperative procurement are being implemented to achieve savings and to deliver services and solutions to support operations.

The current economic environment and limited budgets create both challenges and opportunities for procurement organizations. Leaders seeking to move away from a tactical role can use the current environment to prove the value of procurement and to begin transforming it into a strategic partner. But before this can be achieved, it is critical to understand what it means to be strategic, and what a strategic organization looks like.

During discussions with several state and city CPOs and consultants, it became evident more than one answer to those questions exists, but several key elements were consistently identified as important factors of a strategic organization. The five areas are position, planning, processes, people and technology.

**POSITION**
The place of procurement in the organizational structure is critical, yet in the most recent NASPO 2011-2012 “Survey of State Procurement Practices,” 43 percent of respondents do not report to a cabinet-level position. NASPO’s “State and Local Government Procurement: A Practical Guide,” finds that, “The effectiveness of the central procurement office is clearly linked to its location in the government structure. . .”

Having an executive-level position provides procurement the necessary authority to manage the enterprise spend. It allows the office to have the essential input into legislation that impacts procurement, gives it appropriate authority to independently develop and implement policy and provides it with the opportunity to have a voice in the discussions at the most critical point, the beginning of the process when the procurement team can add value. When involved early, an effective procurement team can help reducing cycle times, ensure appropriate procurement vehicles (RFP, IFB, cooperative contracts) are used, and, because of its knowledge of the marketplace, identify and develop a supply base and provide ideas on reducing costs.

A procurement organization that has an executive-level position coupled with a center-led structure is a significant strategic tool for the enterprise. A centralized organization most importantly allows enterprise-wide visibility into purchasing whereby it can take advantage of strategic opportunities. Centralizing allows the organization to reduce costs of goods and services through aggregating its purchasing power, improving communications with the supplier community and increase the skills of the procurement professionals by creating a structure whereby they become experts through focusing on specific commodity categories.

**PLANNING**
Planning is an important process for a strategic organization, none more so than strategic planning. It is a powerful tool for an organization’s success and a roadmap for the leadership team, helping them to focus so that they are not distracted by the constant onslaught of changing whims. A well-defined plan outlines the organization’s vision and mission, the strategic opportunities, and the short-term and long-term goals and objectives. It is also an effective tool to communicate to staff the purpose of the organization and to continuously remind them of the organization’s direction.

Strategic planning can be overwhelming. Volumes of books and articles are written on the subject, but NIGP’s “Public Procurement Practices” has a useful guide to jump-start the effort. It succinctly defines what a strategic plan is, and proposes the elements that should be included — clear and concise vision and mission statements, the organization’s values and its goals and objectives.

A strengths, weaknesses, opportunities and threats (SWOT) analysis is an effective way to strategic planning. It provides insight into the current state of the organization. Feedback should be solicited from all staff and not be limited to just management. The information gathered will provide the leadership team with the data it needs to identify strategic opportunities, as well as the goals and objectives to address the organization’s weaknesses and prepare for the potential threats.

A second option gaining popularity recently is through the use of a “procurement maturity assessment,” sometimes done in conjunction with a full spend analysis. These types of assessments are usually conducted by consultants and can provide an objective perspective on the current state, identify gaps between current processes and a desired future state, and develop specific action plans for closing the gaps.

**PROCESSES**
In 2011 NIGP and SciQuest developed a “Vision Map” for public sector procurement organizations that provides valuable information about transforming an organization from tactical to strategic. One of the tenets addresses processes to help an organization evolve from a tactical “processing center” to a “service center,” with the goal of the team to ultimately become consultants and advisers rather than “worker bees.” This type of transformation is foundational to becoming strategic, but to do this, the organization’s processes, including business processes, policies and procedures, business tools and technology must be evaluated, changed if necessary.
and benchmarked to manage ongoing performance.

CPOs have taken different approaches to assess their current state business processes. Virginia Director of Purchases and Supply Bob Gleason started with “a broad look into all unit functions including staff, roles, responsibilities and customers to identify the gaps.” He then “developed a brief, high-level summary plan around how to align all sourcing activities to meet the strategic objectives of the Commonwealth.”

He is now realigning those functions towards a more single-minded purpose to accomplish his goals.

Delaware Director of Government Support Services Dean Stotler challenged what he calls “folk law” at “every turn,” enlisted outside critiques from his customer base – supplier community, agencies, legislators – and used the feedback to develop training to common issues, change processes and establish “Key Performance Indicators” (KPIs) and metrics. Stotler worked hard to make a “connection” between policy interests and operational value and was able to ultimately demonstrate that his team added value to the enterprise. Procurement is now engaged at the beginning of the process instead of the end.

Los Angeles conducted a “procurement re-engineering” with the assistance of a consultant to integrate its procurement, inventory and accounts-payable system. Together, they reviewed work rules, procedures and administrative ordinances for areas requiring change to “streamline outdated procurement processes and institutionalize newly implemented processes.” Although they had to modify the city charter and administrative code sections to allow the new processes, in the end they changed over 250 business processes, and the inventory management and accounts-payable functions were centralized into a single supply organization.

Benchmarking is an important part of business process reengineering as it allows organizations to compare themselves to other leading organizations to ensure the newly implemented processes are effective. This, with the help of KPIs, helps to monitor progress and provide management with insight into the organization’s overall performance. KPIs also are extremely useful to show the value the organization is generating for the enterprise.

Some examples include “Average PO Cycle Time,” “Spend under Management,” “Operating Costs,” “Savings as a percentage of total spend,” “small business spend” and “small diverse business spend.” The NIGP’s “Public Procurement Practice for Performance Measurement” is a valuable guide to help begin a benchmarking program.

**PEOPLE**

People are an organization's greatest assets. Knowledgeable, well-trained resources are the lifeblood of any organization, and they are essential to a strategic transformation. To that end, training and professional development must be key components of the transformation plan in order to achieve and maintain an effective and efficient workforce.

Skill assessment is a vital first step. This allows the management team to assess each employee’s skill level...

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<td>• Valued advisor for customer &amp; lawmaker (“seat at the table”)</td>
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<td>• Market ‘value’ with real data</td>
<td>• Improve the standard training process for internal customers</td>
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### Good people drive good processes

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against the function’s required skill sets to ensure they can successfully fulfill their responsibilities. This provides a baseline of the knowledge across the organization and allows management to more effectively address any weaknesses. This is best done through a structured training and professional development program.

Virginia created the Virginia Institute of Procurement that provides certifications to individuals based on their responsibilities. According to its website, the Virginia Contracting Officer Certification Program currently offers professional certification at two levels, Virginia Contracting Associate Officer (VCA), which addresses small dollar procurements for purchasing card users and administrative support staff, and the Virginia Contracting Officer (VCO) for procurement professionals involved in more complex procurement. A third program, Virginia Contracting Master Officer (VCM), which will focus on advanced strategic procurement, spend management/analytics and supplier relationship management, is in development.

Pennsylvania’s Bureau of Procurement uses a multi-pronged approach to training. Several years ago, the bureau designed two certification programs, one for agency purchasing agents and a second for commodity specialists responsible for statewide contracting.

More recently, the bureau instituted a job rotation program that requires the commodity specialists to work in an agency for a day to gain perspective on what their procurement colleagues do at an agency level. It includes a second day with the comptroller office, which provides them with insight into purchase order and contract approvals as well as invoice processing. In addition, a quarterly training program was developed to address professional development needs across the bureau by identifying specific training opportunities and tracking training hours with a goal to achieve 60 hours a year.

TECHNOLOGY
A final important element of a strategic organization is effective technology. Through utilizing the right tools, procurement organizations have made significant advancements in reducing or eliminating tactical processes through automation, increased transparency and bidding efficiencies for suppliers.

The tool that has had the most impact in the last decade is the e-Procurement (ERP) system. From a strategic perspective, no tool has done more for procurement. Efficiencies are gained through simplified and standardized purchasing processes, reduced processing costs and cycle times, and efficient, consistent order placement. For a more in-depth analysis, see NASPO’s recently released white paper on ERP and eProcurement systems.

Another tool that is having just as much of an impact is spend analytics. A spend analytics tool analyzes, standardizes and categorizes raw enterprise spend data into useful information that allows management to more effectively manage spend. It provides insight into who are the key suppliers, where opportunities for strategic sourcing exist, and it helps identify rogue spending. In its “Spend Management Analytics Spend Manual,” Georgia appropriately stated the importance of this tool and its connection to a strategic organization: “Spend Management Analytics is a best in-class spend management solution that will help public sectors to achieve an enterprise level, data-driven approach to strategic sourcing and the systematic alignment of sourcing activities to their government business plans.”

In a time of reduced and constrained public-sector budgets, procurement organizations have an unprecedented opportunity to prove they add value. Tactical procurement, like purchase order processing and “one-off” bids, must be done, but public sector procurement organizations should be looking to shed the “administrative function” cloak and focus on the strategic opportunities ahead.

Although there is more than one path to becoming a strategic organization, no organization can achieve that goal without an appropriate position in the enterprise and strategically planning how it will address its business processes and invest in its people and technology.

MIKE RICHART is the deputy secretary for procurement for the Commonwealth of Pennsylvania.

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Procurement authority is a foundational concept in the public sector and the administration of government. Agency procurement systems are the means through which critical and strategic services, supplies and construction are purchased to support essential public functions. In addition to acquiring what is needed, it is of the utmost importance that the government spends taxpayer dollars responsibly, protected from undue influence and in the best interest of its community. Procurement policies and processes are the means to achieve all of these goals.

**POSITION**

NIGP: The Institute for Public Procurement supports clear, narrow delegation of procurement authority in public entities for purposes of contract formulation and award, and post-award contract modification. Procurement authority, the legal capacity to make binding procurement awards, is bestowed upon agency executives by the governing legislature or empowered commission. Formal delegation of procurement authority to trained, public procurement professionals, through a Chief Procurement Officer, helps ensure that public funds are awarded for best value in a manner that is transparent and impartial, maintains the integrity of professional values and practices, and complies with public policy and law.

**WHAT IS A PROCUREMENT AUTHORITY?**

Procurement authority is the power to award, or to approve the award of, legally binding procurement agreements (that is, contracts and purchases) on behalf of the public entity. In a post-award environment, procurement authority includes the power to modify (or amend) existing agreements. With this authority comes responsibility and accountability.

More fully, in addition to the power to award or modify a contract or purchase, procurement authority includes, among other things, the choice of sourcing methods, management of sourcing activities, contract negotiation and the drafting of contracts and other purchase instruments, as well as the preparation of contract modifications, and carries through to elements of contract administration and closeout. A Chief Procurement Officer also issues procurement policies and regulations, or designs them for adoption by a chief executive or the governing body.

For a better understanding of procurement authority, one can compare and distinguish it from two other forms of authority in the business process of government.

Budget authority is created when a governing body appropriates funds to be spent on government programs,
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and specifies individuals authorized to approve expenditures within the budget. Budgets allocate resources that are intended to achieve organizational goals. An approved budget, however, does not produce a contract, nor does it authorize a particular procurement method or the award of a particular contract or purchase. That is reserved to the exercise of procurement authority.

Similarly, signature authority is limited to the authority to “execute,” or sign, a written, legally binding agreement on behalf of the entity. By itself, signature authority does not include the power to manage a procurement process or to approve a procurement selection and award. Sometimes, a public official may hold a delegation of both signature and procurement authority, but they are not the same.

Budget authority, procurement authority and signature authority are distinct, separate functions in a system of checks and balances in a governmental organization. The independent exercise of procurement authority is an important piece of the entity’s overall system of internal controls.

WHY IS A PROCUREMENT AUTHORITY IMPORTANT?
To achieve a procurement process that delivers the most strategic, effective, ethical and economical expenditure of public funds, it is important to establish an independent professional procurement function led by a Chief Procurement Officer who is granted procurement authority and is allowed to delegate responsibilities to trained procurement staff within a centralized purchasing division. This approach maintains the benefits of best procurement practices conducted in a professional manner and, thereby preserves the transparency and accountability of practice necessary for effective organizational management and affirms the public’s trust.

By contrast, a decentralized procurement process, under the supervision of many people independently exercising divided procurement authority (especially those who are not procurement professionals), is less likely to achieve the strategic procurement objectives of the organization while increasing its exposure to financial, legal and reputational risks.

Two brief examples illustrate how a decentralized approach to procurement inhibits an organization’s operational visibility and control over fraud, waste and corruption.

The highway superintendent for a town in New York admitted to accepting $2,000 in gift-card kickbacks from a vendor who sold him $84,000 of overpriced and unnecessary highway supplies. In 2009, he was charged with felony official misconduct.

The Seattle School District allowed one employee in charge of a small business development program for construction projects to also be in charge of all procurement and contracting for those projects. A 2011 state auditor’s report revealed that up to $1.8 million in losses occurred for work not done or for questionable public benefit. The auditor cited failures by the superintendent and other top officials for a poor system of oversight of the program, and the superintendent and program manager were fired.

Procurement authority and control should be designed with sufficient flexibility and by professionals well versed in the definition of controls. Periodic program reviews by an internal or external auditor are recommended to ensure that proper controls such as separation of duties, system authorizations, independent checks and proper documentation are in place.

THE CASE FOR A STRUCTURED AND NARROW DELEGATION OF PROCUREMENT AUTHORITY.
The American Bar Association (ABA) extensively considered the advisability of central leadership for procurement activities. In 1979, the Model Procurement Code (MPC) for State and Local Governments was adopted by the American Bar Association and updated in 2000. The ABA Model Procurement Code created a template for transparent, competitive and reliable processes by which billions of dollars in public funds are expended through contracts with private sector businesses.

The Model Procurement Code responded to the major changes in public procurement, including the dramatic rise in the volume of purchases, the changing nature of goods and services available (especially technology), the changing dynamics in the markets, the growing sophistication in procurement methods, and a need for more uniformity and fewer arcane procurement rules that raised costs and discouraged competition. The Code cites the creation of the Office of the Chief Procurement Officer as a fundamental pillar for effective management of public procurement activities and provides guidance on CPO-empowering language. (Reference MPC Section 2-301; also see Sections 2-201 and 2-202.)

The Code has been adopted in full or in part by more than half of the states and by thousands of local jurisdictions across the United States. Further, a National Association of State Procurement Officers survey issued in June 2012 indicates almost all of the forty-eight responding states have centralized regulatory authority for purchasing non-technology goods and non-technology services. The survey also revealed that thirty-eight states have a single chief procurement officer who prescribes procurement rules and regulations. The survey reflects the growing best practice of a central procurement structure with delegated procurement authority to maximize the value and benefits of achievable through a coordinated and comprehensive procurement strategy.

HOW SHOULD PROCUREMENT AUTHORITY BE DISTRIBUTED?
Delegated procurement authority should be established explicitly and documented properly. A delegation is made by the holder of procurement authority to the desired recipient, equal to or less than the authority possessed by the holder,
for example, from the County Manager to the Chief Procurement Officer or from the Chief Procurement Officer to a procurement professional reporting to the Chief Procurement officer. The delegation document must describe all powers, limits and duties. The scope, duration, position title or name, any training or certification conditions, dollar limits, ability to rescind, and permission to sub-delegate are all matters to be addressed. Delegations by a Chief Procurement Officer may also be for particularly defined small purchases or for procurement-card purchases. Such delegations are made to satisfy operational requirements efficiently and at acceptable risk. The procurement legislation or policy of a public entity should clearly articulate penalties, including personal liability, for individuals acting without procurement authority (“unauthorized commitments”).

CONCLUSION
Public entities should have a centralized procurement division and empower a Chief Procurement Officer with procurement authority, including the power to delegate authority to his or her staff or to other trained staff, to ensure procurement is conducted in a manner that is fair, transparent, responsible, and ethical. Structured, centralized, and narrow delegation of procurement authority to the professional procurement department provides the benefit of establishing a business unit that has specialized knowledge of public procurement principles, processes and best practices.

A professional staff dedicated to the sole purpose of procuring goods and services is the most effective institutional model for maximizing the value of expenditure while maintaining clear lines of authority, accountability and control. Procurement professionals with the proper training, certification, knowledge, and experience make a substantial contribution to the organization’s bottom line by leveraging cost savings through, among other things, strategic procurement planning and the effective use of competition and negotiation practices. As dedicated stewards of the public trust, their contribution to the organization goes beyond costs savings and avoidance.

Skilled risk management through liability allocation, contractor bonding, and negotiated software licenses provide additional examples of the added value that procurement professionals provide to their agency and its many stakeholders.
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Laurie Sachar, Contract Administrator Contract Services, Orange County Health Care Agency October 5, 2014

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Contact hours: 16

FEBRUARY

CPPO Prep Online
February 9, 2015 – March 26, 2015
Contact hours: 16

Developing and Managing Requests for Proposals Online
February 17, 2015 – April 21, 2015
Contact hours: 24

CPPB Prep Online
February 26, 2015 – April 15, 2015
Contact hours: 16

MARCH

Strategic Procurement Planning in the Public Sector Online
March 2, 2015 – May 4, 2015
Contact hours: 24

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Best Practices in Service Contracting Online
April 5, 2015 – June 9, 2015
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May 4, 2015 – June 22, 2015
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“I highly recommend this course. It provides insight into the differences between leaders and managers...Take the class and learn more about it!”

Scott Koczman, CPPO, CPPB, Texas Department of Transportation June 17, 2014

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Contact hours: 24

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Contact hours: 24

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Contact hours: 16

CPPO Prep Online
Contact hours: 16

AUGUST

CPPB Prep Online
August 20, 2015 – October 7, 2015
Contact hours: 16

Contract Administration in the Public Sector Online
August 24, 2015 – October 26, 2015
Contact hours: 24

SEPTEMBER

Strategic Procurement Planning in the Public Sector Online
September 9, 2015 – November 11, 2015
Contact hours: 24

Fundamentals of Leadership and Management Online
September 21, 2015 – November 2, 2015
Contact hours: 16

Legal Aspects of Public Procurement Online
September 11, 2015 – December 4, 2015
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Developing and Managing Requests for Proposals Online
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Shari Pine, CPPO, CPPB Procurement Coordinator, Public Works, City of Olathe, Kansas

Adding Value to the Procurement Process – 1 Day
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Alternative Dispute Resolution – 2 Days
Contact hours: 16

Best Practices in Developing Public Construction Bid Documents – 1-Day
Contact hours: 8

Capital Acquisitions – 2 Days
Contact hours: 16

Contract Administration in the Public Sector – 3 Days
Contact hours: 24

Contracting for Construction Services – 2 Days
Contact hours: 16

Contracting for Public Sector Services – 2 Days
Contact hours: 16

Contracting with Federal Funds/Grants “Intermediate” – 2 Days
(includes the new OMB requirements)
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Contracting with Federal Funds/Grants “Advanced” – 2 Days
(includes the new OMB requirements)
Contact hours: 16

CPPB Prep – 2 Days
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CPPO Prep – 2 Days
Contact hours: 16

Customer Service: The Key to Success in Procurement – 2 Days
Contact hours: 16

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Contact hours: 24

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Contact hours: 16

Effective Decision Making – 1 Day
Contact hours: 8

Effective Management of Construction Contracts – 1 Day
Contact hours: 8

Ethics: A Survival Kit for Public Procurement – 1 Day
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Introduction to Public Private Partnerships (P3s) – 1 Day
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Private parts

In the words of a highly respected Australian colleague, “The expectation to operate like the private sector can make the life of the public manager quite difficult.”

These words by Professor Guy Callender made me think about who holds these expectations, and how it applies to public procurement. Let’s start first with the “who.”

Top leaders for our agencies expect a great deal from their procurement offices. Our elected officials, department heads and CFOs are seeing the value of professional procurement and are setting the bar higher than ever before. They want to see effective decisions that bring value to the entity, save real dollars from shrinking budgets and apply best practices and techniques to their procurement operations.

I believe that many of these expectations come from the private sector. Top leaders see our counterparts engaged in strategic sourcing, outsourced service delivery and supplier partnerships and want to see these same things in their own agency.

They may have heard of these initiatives through a constituent, the news media or from personal experience. It is not unusual to see a high-level position in government filled by a seasoned manager from the private sector. We’ve all seen that.

We also hear many ideas on improving procurement from the general public. Fair or not, there are high expectations from these taxpayers on the way their government spends its money. Take a look at any online news source and look for an article on a public contract with cost overruns (too often technology-related). Now scroll down and read the comments from members of the community; their expectations will be clearly conveyed.

That quickly leads me to the “how.” Public procurement professionals should consider these expectations and determine how they can help improve on the services they deliver. Only you, as the procurement leaders of our profession, can determine how these private sector practices might apply. Whether it is cloud-based systems that help better manage our contracts or vending machines that distribute our maintenance supplies, we need to stay abreast of private sector practices that can benefit us. If not today, then perhaps it is something to consider for the future.

Things like just-in-time inventory management and corporate social responsibility originated in the private sector. And of course, these were subsequently implemented throughout the public sector. I like to think that the public side does a great job of evaluating private practices and then tweaking them to fit well for a public agency.

Now, we could take the stance that folks with these ideas do not understand public procurement (you may be right) and that they do not align with our public practices (not so fast). But I think the best course may be to at least consider what value they might bring to our agency.

Is public procurement different than the private sector? You bet. But if we are as wise as I believe we are, we can learn a lot from our private sector colleagues.
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