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PROCUREMENT PONDERABLE

Speak up, but be prudent
By Stephen B. Gordon

Kenneth C. “Ken” Trufant, CPPO, is a long-time colleague and friend who I came to know in the 1980s when he joined the NIGP Board of Directors and went on to serve in every chair as an officer of the Institute. It didn’t take me long, as a member of the NIGP staff, to figure out that Trufant was a person of intellectual integrity, a person who was willing to speak up when he saw a problem or an opportunity that needed to be addressed. By his own admission years later, he didn’t always speak up as tactfully as he should have (and many of us told him that at the time), but his heart and mind were always in the right place. When he spoke up, what he said was well-founded and on the mark.

Then, as now, it was easier to “go along to get along,” especially if you wanted to move up through the chairs to become the national president of NIGP. Sadly, this self-serving rule of action is one that many personally ambitious and self-protecting individuals in all types of organizations – public, for-profit and not-for-profit – choose to follow. And were you to ask them why, they might look at you in wonderment. After all, many, if not most, of us have seen the TV commercial in which the one executive dares to differ with his sycophantic colleagues at the conference table and tells the CEO that the idea the CEO has proposed is terrible – only to find himself in the next scene walking out the front door of the building with his office belongings in a cardboard box.

This writer is not suggesting that the reader should take on every problem or opportunity he or she sees in his or her organization, nor that he or she take on even the most deserving problems or opportunities immediately. Clearly, such action would be ill-advised and impractical. Several noble guiding principles must be kept in mind in the particular situation when deciding whether to speak up, including priorities and the connectedness of the one problem or opportunity to other problems and opportunities. Further, these principles must be applied within the broader context of providing the best possible support through procurement for the mission and goals of the public enterprise.

In closing, I urge you to think about how you can live and model intellectual integrity in the complex and dynamic world of 21st century public procurement. I also thank my dear colleague and friend Ken Trufant for the example of intellectual integrity he set for me and so many others.

STEPHEN B. (STEVE) GORDON, PhD, FNIGP, CPPO, is the Director of the Graduate Certificate in Public Procurement and Contract Management at Old Dominion University (ODU). A past president of NIGP, Dr. Gordon also is a Professor of Practice in the Department of Urban Studies and Public Administration at ODU, where he teaches courses in public procurement, public policy, and administrative theory. He can be contacted by email at sbgordon@odu.edu.
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IGP’s vision is to be a vibrant international association creating a world in which public procurement practitioners are highly regarded members of a respected professional order. Good public procurement can change the world in which we live. Through our professionalism, we can have a positive impact on people all over the globe.

If money is spent without regard to good public procurement practices, its positive value will be greatly reduced. Yet, if those dollars are spent using best practices, good specifications, ethics, transparency and professionalism, those funds will go farther. A savings of just 10 percent can put books in more classrooms, introduce more children to the world of computers or provide needed medicine to people suffering from illness.

PUBLIC PROCUREMENT: IMPROVE THE WORLD

Good public procurement can improve the world. It is our vision and responsibility to do everything we can to ensure that the public procurement profession is moving in this direction.

A true profession reflects four fundamental aspects – traditionally referred to as the Four Pillars of Professionalism:

**Standards:** The first pillar is having standards derived from a recognizable public procurement body of knowledge which begets a common language, best practices and research. We are working towards a true common body of knowledge – engaging with our peers throughout America and other nations to determine whether public procurement is practiced the same way regardless of geographic borders and whether there is a distinct difference between public and private procurement. Through this work, we will better define the profession that is public procurement.

**College Coursework:** The second pillar is advanced and specialized knowledge through advanced educational programs at the college level. NIGP should take the lead in facilitating discussions across academia so that a college curriculum for public procurement is adopted and adaptable. Professional associations like ours serve as connectors of disconnected constituents in a professional community. NIGP should serve as the common point of reference and facilitator of the profession for practitioners, academics and students of public procurement.

The future procurement professional must have higher education credentials. This would allow NIGP to shift its priorities to providing continuing education on specific and currently relevant topics. Though we are not there yet, the CPPO certification now requires a college degree, and more of the openings in our field require a degree or even an advanced degree.

**License to practice:** The third pillar of professionalism is a license to practice. While we have a UPPCC–administered certification program, no official gate must be entered to practice. In fact, we are struggling in this area, not because our certification is lacking, but because others have created their own partial certifications that detract from the value of a unified certification program. If each state develops their own program, this creates stress on the limited training dollars available. Additionally it creates confusion in the marketplace because practitioners and the public cannot identify the value of a single, universal certification when there are so many to choose from.

**Professional Society:** The final pillar of professionalism is the professional society that shares the knowledge and the ethics of the profession. NIGP provides our professional society the structure, continuity and clearly defined professional values and principles that guide professional practice. The pieces are slowly falling into place. Where do you fit in? 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.”

To echo the famous phrase of the late President John F. Kennedy, “ask not what NIGP can do for you, but ask what you can do for your profession.”

This column was excerpted from 2014 Forum Opening Session. Part II will focus on how the procurement community can prepare for the future of the profession.
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Imagine your favorite family recipe. Now that you are all salivating and hungry, think about how it got to you. It has been handed down from your parents, aunts, uncles, cousins and you are handing it down to your kids, and maybe even to your neighbors and/or friends. It isn’t written down anywhere, because it is so ingrained in you... but at some point in its history it was put together. Someone way back in your family tree combined ingredients in a special fashion and then wrote it down when they got it right. Some of today’s procurement practices resemble this process.

No matter what specification, standard or guideline we use when procuring products and services, its requirements probably had their starting point in a code. Has everyone who is involved in the purchasing/procurement function read the original code that the products procured are trying to meet? Probably not. Instead they are trusting in the ‘recipe’ that has been handed down.

Well there’s a new recipe in town. Just as they do to meet code level requirements, procurement professionals have acquired the habit of purchasing to help meet criteria laid out in a sustainable rating system. While this hasn’t been easy, it is something that most have gotten used to. Now what if you found out that the next step in this evolution is not just that certain buildings and structures must ‘raise the bar’ by meeting rating system requirements, but it is that all of us contribute to ‘raising the floor’ for building?

Many authorities having jurisdiction (AHJs) have been implementing sustainable codes for some time now, but a few recent announcements/developments have started to push sustainable codes more to the forefront of the building conversation. First and foremost, in August of this year the International Code Council (ICC), ASHRAE, the American Institute of Architects (AIA), the Illuminating Engineering Society of North America (IES) and the U.S. Green Building Council (USGBC) announced an agreement to collaborate on the development of ASHRAE 189.1, the International Green Construction Code (IgCC) and the LEED green building program. Essentially the cooperative agreement aims to bring some clarity for AHJs that currently must pick and choose from the multiple options for sustainable programs that have been or can be used as code.

Starting in 2018 the IgCC and ASHRAE 189.1 will be combined into one sustainable, code-level document, instead of the ‘separate but compliant’ agreement currently in place. The agreement will hopefully bring to fruition some alignment between the code documents and how compliance with them would fit into LEED building certification.

The second development is that some larger municipalities have started to adopt the current IgCC (with ASHRAE 189.1 being an optional compliance pathway) as the model for building practices in their jurisdiction. Dallas, Texas, and Washington, D.C. have invested a significant amount of time, energy and effort to put into place sustainable building requirements based upon the 2012 IgCC. These aren’t optional requirements either – they are now part of these cities’ base building codes requirements. City officials, builders, owners, operators and product manufacturers in each of these cities got together over time and agreed that the adoption of this measure was a productive and positive step forward for building.

Of course these developments follow in the
footsteps of the first statewide adoption of a mandatory ‘green’ section for a state building code – CALGreen in the state of California. This statewide adoption was for residential and nonresidential properties, and while the building market hasn’t yet regained its peak numbers of the pre-2008 building boom, I don’t believe that anyone can say that building has been stunted by the code.

So what does this all mean for professional purchasers and procurement officials? Will you have to learn a whole new recipe, all new ingredients, weird cooking utensils and tools? The bad news is that sustainable building loves its acronyms (VOCs = volatile organic compounds, EPDs = Environmental Product Declarations, LCA = Life Cycle Analysis/Assessment). The good news is that there are similar tools to those used when you were purchasing for the base codes, which can now help you with sustainable building codes. The implementation of the code has always relied on trusted, scientifically-backed and -developed standards from organizations that purchasers, code officials and architects have trusted for years. Many of those same third-party organizations have scientific standards and certifications programs to help you find products that meet product VOC emission, energy or water efficiency or material content requirements in these codes.

A look through these sustainable codes will show trusted names and resources that you have used for years. As with anything new, visit these resources’ websites, take a quick read and download a relevant standard or two. This will quickly show if these trusted organizations have a relevant certification program that allows for quick, easy and free searching for code compliance.

While the ingredients/requirements may smell different and the cooking techniques may initially feel foreign, we should remember that there was a time when our families’ favorite recipe began as something new and different on the table.

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.
REQUIREMENTS CONTRACTS: WHAT’S YOUR OBLIGATION?

By Richard Pennington

Public procurement professionals know the elements of an enforceable contract. One is mutual consideration – generally reciprocal promises to perform an act (not otherwise required) or to give up a legal right (as in settlement agreements). In a sales contract, the buyer promises to pay money. The seller promises to deliver goods and services.

Some “contracts” make it difficult to gauge the nature of the obligation. A minimum quantity contract can include minimum mandatory ordering quantities, above which a buyer does not have to order. The minimum obligation is consideration that makes the contract enforceable. The quantities need not be sizeable. A buyer could conceivably lock in a price for a larger quantity by promising a minimum order of one unit, for example. The Federal Acquisition Regulations characterize minimum quantity contracts as a type of indefinite-delivery, indefinite-quantity contract.

Another kind of indefinite delivery contract is a requirements contract. A typical requirements contract is a promise by a buyer to satisfy all requirements for a commodity or service through a vendor for a specified period of time. These contracts are entered in order to achieve price reductions from a vendor who agrees to fulfill orders at prices based on the expected volume over the contract term. These mutual promises are considerations that support enforceability of a contract.

Two cases this year illustrate issues that can arise with requirements contracts. The decisions show how the analysis of requirements contracts can be different for goods and services.

CONTRACT LANGUAGE FRAMES THE OBLIGATION

A Rhode Island case involved questions of whether the state had met its obligations under a livery contract – alleged by the plaintiff to be “exclusive” – when the state used its own personnel for the transport of human remains. [JPL Livery Services, Inc. v. R.I. Dep’t of Admin., 88 A.3d 1134 (R.I. 2014)] JPL initially sued when the state notified it that state personnel would be performing transport during normal duty...
hours as a way of cutting costs.

The price agreement for livery services was awarded for a five-year period. The contract had a termination provision that characterized the contract as a multiyear contract but permitted termination for specified reasons, including “unsatisfactory performance.” After performance issues arose, the state terminated the contract. JPL amended its lawsuit to allege wrongful termination.

The court found that a contract existed, but not a requirements contract. The court rejected JPL’s argument that the contract was exclusive, noting that the contract language obligated JPL only to perform livery services “as requested” by the state. Despite the fact that JPL had performed all livery services the first year, as well as in a previous five-year contract, the “as requested” language in the contract precluded any finding that the contract was a requirements contract that prevented the state from self-performing work.

The court, however, did find a contract of sorts. Courts try to avoid ruling that promises are illusory—not promises at all. In this contract, the state had specified a contract term, characterized the contract as multiyear and limited the grounds upon which the contract could be terminated. The court concluded that the contract required the state to exercise good faith and that the contract could not be terminated based on mere dissatisfaction. The contract was obligated to exercise termination rights with honesty and commercial reasonableness.

So in JPL, the contract was not a requirements contract. However, the court still evaluated the email and correspondence exchanges against the standard of good faith to determine whether the termination was done in good faith. Finding no evidence of bad faith, the court held for the state.

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"Mere increases in the price of raw materials, the court concluded, are not sufficient to grant relief."

The solicitation in JPL did not include estimates. A New Jersey case last year looked at the effect of estimates on the contractual obligation. [Tilcon New York, Inc. v. Morris County Cooperative Pricing Council, No. A-5453-10T3 (N.J. Super. A.D., March 5, 2014)] Tilcon involved one-year, cooperatively procured price agreements for asphalt paving materials and services. During the contract period, there was a significant increase in the fair market price of asphalt concrete, about 50 percent over what Tilcon expected when it bid. At the same time, the cooperative members placed orders double the estimates in the solicitation. The plaintiff filed suit, claiming that it was entitled to retroactive increases in the price of asphalt. Tilcon also argued that the cooperative had acted in bad faith by failing to disclose the basis for the estimates and ordering amounts of asphalt unreasonably disproportionate to the estimates.

The solicitation documents had stated that the quantities were subject to increase or decrease. The township that led the cooperative requested estimates from all the members, but only two members responded. The solicitation characterized the estimated projections of total requirements under the contract as the “aggregate needs” of the members but did not break the estimates down by individual governmental entity or disclose that they were derived from only a handful of members. Despite the fact that New Jersey law prescribed procedures for disclosing estimates, the regulations were not followed. In its bid, the plaintiff had acknowledged that the quantities “are approximate only, and are subject to increase or decrease.”

As asphalt prices began to rise substantially, Tilcon notified the cooperative of its concerns about the escalating price of asphalt cement. Tilcon proposed reimbursement of 50 percent of the additional cost, but the cooperative did not accept the proposal. Tilcon continued to honor orders, and the eventual quantity of orders was almost double the estimates.

The appellate court rejected claims for reimbursement based on mutual mistake, frustration of purpose and impracticability. Mere increases in the price of raw materials, the court concluded, are not sufficient to grant relief. The court was troubled by the failure to follow state regulatory requirements regarding disclosure of estimates, but in part because Tilcon did not object, the court granted no relief. The court found no breach of the covenant of good faith and fair dealing, although language in the opinion suggests that had the facts shown “opportunistic ordering” to take advantage of market conditions by accelerating projects or ordering quantities in excess of current requirements, the result might have been different. However, there was no evidence of this bad motive.

The court did consider an alternative theory based on New Jersey’s commercial code. Like most states, New Jersey has adopted the Uniform Commercial Code. Although the contract involved some service performance – installation of asphalt – the court concluded that at least one contract was a transaction in goods governed by the UCC. UCC section 2-306 states that “…no quantity unreasonably disproportionate to any stated estimate or in the absence of a stated estimate to any normal or otherwise comparable prior output or requirements may be tendered or demanded.” The court concluded that “implicit in the [cooperative] members'
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submission of estimates was a promise to purchase amounts approximately equal to those estimates.”

The court did not reach the issue, however, of whether the actual order quantity was excessively disproportionate compared to the estimate. The court suggested that the size and foreseeability of the variation, the reasons for any increases in requirements and prior course of dealing would be relevant. But the court avoided the issue because Tilcon had waived its rights when it filled orders without objecting to orders for increased quantities.

**BE CLEAR ABOUT THE NATURE OF THE OBLIGATION**

Discuss these cases with your counsel. The law and analysis of requirements contracts in your state may be similar to the cases summarized here, but state laws differ. Generally though, specifying minimum quantities or promising that requirements will be satisfied through a vendor both are sufficient consideration that can lead to an enforceable contract.

As Tilcon demonstrates, you can unwittingly create a requirements contract if you publish estimates. Vendors often need to know the scale of the potential agreement, but do not overpromise regarding expectations about ordering volumes. At the very least, paint a clear picture of the likely variations from estimates and describe accurately how figures were developed and that order quantities may vary significantly. And unless you consciously intend to use a requirements contract to achieve reduced pricing, avoid language that suggests any exclusivity with regard to satisfying requirements through the contract.

**RICHARD PENNINGTON,** J.D., LL.M., CPPO

is an NIGP Individual Member and NIGP Instructor. After federal procurement law practice as an Air Force judge advocate, he was an assistant attorney general (procurement and contract law and litigation) and State Purchasing Director for Colorado. He now serves as general counsel to the WSCA-NASPO Cooperative Purchasing Organization LLC.

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*College Board, *Trends in College Pricing, 2013*

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Sometimes, the most valuable lessons don’t come from a classroom.

So while I can’t give you the date of the Battle of Hastings, I can tell you how many acres each school in our district sits on and how many people it takes to keep all of that grass from growing taller than the average kindergartner. My crew spends its days making sure that the grass is mowed, the trees and bushes trimmed and the sports fields maintained with as much pride as folks around here take in the teams that play on them. Unfortunately, our budget keeps shrinking, and I’m challenged to do the same amount of work with fewer resources. So I’m glad I thought to buy that first Grasshopper a few years back. It saved us time and money from day one. And my crew — well, let’s just say there was some aggressive coin-flipping going on every morning to see who got to run the Grasshopper that day. Now we’re running six. Good thing, too, since they’re building a new middle school across town. So even as the district grows, my equipment and crews are keeping up just fine. At least we haven’t lost a kindergartner yet.
Over the years there has been a multitude of research about leadership and decision-making, each prescribing the answer for business success. But many times after we’ve had time to reflect on the written word, we’re able to find our own “at home” examples and models. Or sometimes, through a variety of interactions, we may happen upon a situation or individual that truly demonstrates the leadership actions and practices we all continue to strive to master throughout our careers.

In John C. Maxwell’s *21 Irrefutable Laws of Leadership*, he outlines the 21 life-changing principles a person must follow to become a great leader. Although all of the principles are key components for successful transformation, the law of victory describes where leaders “feel the alternative to winning is totally unacceptable, so they figure out what must be done to achieve victory.”

This is certainly a key ingredient for situational progress and genuine leadership, just like the 17 different leadership characteristics the Holden Leadership Center at the University of Oregon identified in its research. The characteristics range from proactive, flexible, respectful, confident, open-minded, resourceful, educated, evaluative, organized and consistent to being a communicator, motivator and delegator. Each leader adapts these attributes to the variety of situations and challenges that arrive every day on the job.

A leader that demonstrates the above law of victory and is evaluative, resourceful and an effective delegator will use these principles and qualities to guide the necessary decisions he or she must make that are key to organizational progress. Most times, every important decision inevitably involves a trade-off. Knowing what you can’t pursue is as valuable as articulating what you will. But how do you know which trade-offs are acceptable and which are losing propositions? Assessing the situation in the following three ways will help:

> Create a list of advantages and disadvantages and ask others for their perspective.
> Balance short term with long term and determine what you’d be willing to give up.
> Gauge backing of a particular idea by thinking about who will support and who will oppose it.

Making decisions is your most critical job as a leader, and relying on others can improve your judgment and decisions, making you more effective. Reversing a decision or asking for assistance to accomplish a goal can be a painful or difficult experience, an impact to pride. However, recognizing the need for assistance may be the best decision a leader can make.

Remember, a leader strives for victory, is evaluative, resourceful and an effective delegator, so to call upon others is not a sign of weakness, but rather a sign of strength from a strong leader.

Over the past few months, some of our own NIGP members have been our “at home” models of such leadership and quality decisions. Each leader chose to reach out to the NIGP Consulting Program for assistance in driving their organization to a higher level of performance. Each engagement involved a different assortment of procurement services but each engagement had the same finite goal – improvement of public procurement within their organization. I’d like to highlight a few of our “at home” leaders and their particular situation and decision for guidance.

**CAROLYN YURKOVICH, CPPB, CHIEF PROCUREMENT OFFICER**
Fairbanks North Star Borough, Alaska

As a leader, Yurkovich recognized the benefits of engaging the team for a review of the P-Card and Travel Program to gain process improvements and buy-in from the Finance Department for program expansion.
ED HAINES, CPPPO, CPPB, CHIEF PROCUREMENT OFFICER
Tampa International Airport, Hillsborough County Aviation Authority, Fla.

Haines, after leading his organization from a decentralized procurement model to a centralized, high-performing procurement model, established a goal for attainment of the Outstanding Agency Accreditation Achievement and the Excellence in Procurement Awards. To ensure success, he engaged the team to provide an assessment of the current procurement practices and a roadmap for award success.

PATRICK LEE, CHIEF PROCUREMENT OFFICER
Milwaukee County, Wis.

Lee, having a background in private sector procurement and transitioning to public sector procurement and being the strong leader he is, engaged the team to assist in a review and rewrite of county ordinances and administrative directives to achieve greater efficiencies and alignment with best practices.

Each one of these capable leaders, in a different type of public procurement organization and with different backgrounds, all demonstrated the same exceptional leadership skills and recognized the same important point — that at times, the decision for the engagement of impartial assistance and guidance can provide a greater probability of success and goal achievement, which then directly impacts an organization’s ability to achieve its purpose.

JEAN CLARK, FNIGP, CPO, C.P.M., CPPB, CPM, is the past president of the NIGP and the former CPO of the state of Arizona. She has more than 30 years of public procurement experience and is currently the director of procurement transformation for the NIGP Consulting Program.

New NIGP Codes Unveiled for Higher Education

The NIGP Commodity/Services Code, the standard classification taxonomy for public purchasing, continues to evolve. As custodians of the NIGP Code, Periscope Holdings is committed to making useful additions to the Code to meet the needs of Code users.

The latest additions to the NIGP Code were created specifically for our Higher Education Code users. We are excited to announce that the NIGP Commodity/Services Code has eight new 3-digit Class Codes for specific purchase categories.

The new Codes cover the following spend categories:
- Construction and Utilities Services
- Communications and Technical Services
- Contracted Services and Rentals
- Financial Service
- Grants
- Professional Services
- Miscellaneous Expenditures for Higher Education

Each of the new 3-digit Class Codes contains a number of 5-digit Class-Item Codes that are intended to assist college and university Code users with better spend analysis for these categories.

We are grateful to the Texas A&M University System for their assistance in identifying these enhancements; their input was valuable in making the Code an even better tool for institutions of higher learning. We always welcome user input to keep the NIGP Code an up-to-date “Living Code.”

“We were excited to be part of the NIGP Code expansion for higher education and we appreciated the efforts of the Periscope team in making it a smooth process,” says Monica Poehl, the university’s senior manager of accounting. “The new Codes will be instrumental in helping us to accurately categorize our spend across the Texas A&M University System.”

These Codes are now available for viewing and downloading from www.nigp.com. For more information, contact NIGP Code Support at 1-800-757-6064 or support@nigp.com.
Communicating the Value
WHEN AND HOW TO RECORD SAVINGS

By Jonathan White

There were certainly a lot of people interested in communicating the value that procurement brings to their organizations at NIGPs Forum this year in Philadelphia – so many that it was standing room only at the “5 Steps to Communicating the Value of Procurement” presentation. If you weren’t able to make it to the Forum or you missed the session, the PowerPoint presentation as well as the handouts are available online.

In that presentation, Multnomah County, Ore., Purchasing Manager Brian Smith and Lead Senior Procurement Analyst Gerald Jelusich talked about the ways in which they measure, calculate and record the value their procurement team brings to Multnomah County, as well as some of the lessons they learned along the way. This article summarizes some of the “5 Steps” presentation and provides additional suggestions about when to record a savings or efficiency and what should be recorded to most effectively communicate the value of procurement.

Was the Procurement Team Involved?
The first question to ask before recording any savings or efficiency is: “Was the procurement team involved in the process which delivered value?” This is a straightforward question, but choosing the correct answer isn’t always straightforward. If the answer to this question is truly “no,” then the procurement team should probably not be taking credit for the delivery of savings or efficiency. A great way to destroy credibility is to take the credit for something that you didn’t do. If the answer is “yes,” then move to question two.

In addition to answering the question above on sourcing projects, it also needs to be asked in other situations. In the hustle and bustle of a busy procurement department, it’s easy for contributions to value to be overlooked, so it is important to ask the question about more than just sourcing projects. A procurement officer who catches an order being placed to a non-contracted vendor and directs that purchase towards a contracted vendor is contributing value to the organization by keeping spend under management. Getting grants or scholarships to reduce the cost of training and professional development for the procurement team is one of the types of savings that Multnomah County records.

What Would Have Happened Otherwise?
The trickiest part of recording savings is determining the right formula to calculate the value of your savings or efficiency. A simple rule of thumb is to ask “What would have happened otherwise?” in order to determine your method of calculation. If you believe that in a sourcing event without procurement’s involvement, the award would have gone to the highest bidding vendor, then you should calculate the savings by subtracting the highest bid from the chosen bid. This is a simple calculation, but not likely to reflect what would have happened if procurement had not been involved.

The National Association of State Procurement Officials has put out guidance in a document titled Benchmarking Cost Savings and Cost Avoidance in 2007 (this document is available on the NASPO website). One of the methods it describes includes taking the average of all non-winning responsible,
responsive vendors’ proposals and subtracting the winning vendor’s price. This method provides a more consistent method for calculating savings than the highest vs. lowest bid because it helps reduce the impact of extremely high bids which artificially inflate the savings value, as well as providing a consistent calculation in “Best Value” award situations where the lowest priced vendor may not have been the one awarded the contract.

In other non-sourcing event situations, the same question of “What would have happened otherwise?” applies. If the running of an RFP process for a $75,000 contract which should have taken 40 hours of staff time from start to finish is successfully reduced to five hours because of the use of a neighboring organization’s contract, a national cooperative contract, or through a different procurement mechanism such as a reverse auction, there is a non-cash releasing efficiency to be calculated and recorded. The average hourly cost for the type of staff member required for the RFP process times 35 hours is a simple, calculable efficiency value.

Another calculable efficiency is the difference in cost to process a purchase order versus the cost of using a procurement card. If one of your organization’s goals is to move more low-value purchases to procurement cards, the number of traditional purchase order transactions moved to purchasing cards can be multiplied by the difference in cost between a purchase order process and a procurement card purchase (which is $74 according to the RPMG Research Corporation’s 2012 Purchasing Card Benchmark Study). If the move from PO to pCard hadn’t happened, it would be costing the organization $91 for each of those PO transactions rather than $27.

ARE YOUR SAVINGS AND EFFICIENCY VALUES CONSISTENTLY CALCULATED AND DEFENSIBLE?

The last question you should always be able to answer “yes” to is whether the value you record is consistently calculated and defensible. You should always be able to back up any recorded savings with information about procurement’s involvement, what would have happened if procurement hadn’t been involved, and be able to show that the method for calculating the savings on an RFP process, use of a cooperative contract, or a reduction in invoice volumes is being consistently applied in each situation.

When Multnomah County started recording its value, it was very conservative in both the types of activity it counted as savings as well as the calculations it used. In the beginning, the county only recorded the savings through formal solicitations, used the NASPO calculation guidance above, and reviewed all procurements once a month to ensure that any savings they recorded were rock solid and defensible. Once comfortable with recording the value contributed in RFP, ITB and RFQ processes, officials moved on to recording the value from the surplus sale program that they started. In the future they are planning to begin recording some of the non-cash releasing efficiencies they deliver, but will always make sure that whatever savings and efficiencies that are recorded are solidly defensible if challenged.

UP NEXT: PROCUREMENT VALUE YOU MAY NOT HAVE CONSIDERED

While the savings on RFP, ITB and similar processes are some of the easiest to calculate, there are many other activities undertaken by procurement teams which provide value to their organizations. The next article in this series will cover other types of savings and efficiencies that procurement teams don’t usually think of, measure or record today.

JONATHAN WHITE is the director of sales and support for Spikes Cavell Analytic Inc., one of NIGP’s strategic partners. Spikes Cavell equips decision makers in the public sector with the business intelligence, online tools and analytical insight to transform the way they procure goods and services. The Spikes Cavell Observatory is an online platform that facilitates delivery of spend and contract visibility quickly, affordably, and with little effort on the organization’s part.
A Holistic Approach to Energy Supply-Side Management

FIVE SOLUTIONS GUARANTEED TO LOWER YOUR ENERGY BUDGET

By Bob Wooten

As a purchasing professional, you may be familiar with the procurement of energy commodities, such as electricity and natural gas. In previous articles, we have discussed strategies and techniques for procuring energy so that your organization is taking advantage of market intelligence in finding the best times in the market. However, once the actual procurement of energy is done, too many organizations stop there and feel the job is done with regards to securing savings. Nothing could be further from the truth. Under the heading of “Supply-Side Strategies,” there are a number of additional solutions that, when employed, can drive further savings and cost stability for a government entity.

Here we will share five proven solutions guaranteed to control and further reduce the costs an organization pays for energy:

UTILITY BILL AUDITING

In general, things that are complicated tend to lead to increased chances for errors. So it’s no surprise that energy suppliers who manage and invoice thousands of customers a month with numerous rates and levels of complexity increase the likelihood of human error on your bill. Utility bill auditing services can help to identify these errors and enable recovery of the costs associated with overpayment. An audit can be performed for any utility, whether deregulated or not. In addition, the services help increase efficiencies and reduce ongoing expenses thus optimizing facility operations.

TARIFF RATE ANALYSIS

Utilities, the companies responsible for supplying and delivering energy to your organization (in deregulated areas it will be a separate provider that actually supplies the energy commodity), take many items into account when developing rate structures and tariffs. These items include energy usage, energy demand, purpose of usage and type of meter. In regulated areas, utility electricity rates can vary based upon the size, the usage characteristics and the diverse electrical needs of their service territory, as well as many other factors. Oftentimes, organizations can decide what rate structures best fit their energy needs and goals. In general, the more electricity an organization uses, the more options they will have. So whereas an audit will uncover past errors made on utility bills, a comprehensive rate analysis helps find better tariffs moving forward that will help lower an organization’s costs.

DEMAND RESPONSE (DR)

Demand Response or Curtailment programs result in changes in electric usage by organizations from
their normal consumption patterns in response to changes in the price of electricity over time or to incentive payments designed to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardized. On days when DR events occur, typically in summer or high-usage times within an electric grid, large energy users can be compensated for voluntarily curtailting their energy use. By participating in a DR program, not only can you generate a new revenue stream, but you also help safeguard your facility infrastructure from voltage fluctuations and you help to alleviate stress on the electrical grid and receive recognition for your company’s energy conservation and green initiatives.

UTILITY BILL PROCESSING & PAYMENT

If your organization is penalized for late fees with a required deposit from your supplier or utility, this can result in thousands to hundreds of thousands of dollars in additional costs. Utility bill processing services help alleviate these costs and the stress to your organization’s AP group. The services involve everything from mail handling to bill auditing, expediting late notices and eliminating fees, to data feeds and compliance with client proprietary systems and finance standards. Multiple utilities (such as electricity, gas and water) can be bundled under the umbrella of a utility processing program. The solution also includes a robust reporting mechanism that will provide the following:

- **Analytic Reports**: Variance, tolerance, benchmark, bill analysis, rolling 12 months, load factor, weather, gap/overlap, meter/rate change and others
- **Financial reports**: Processed or paid bills for a specified time period listed by sites or to specific vendors. Reports cover transactions, funds requested, processing performance, late fees, bill adjustments, missing bills, balance due and others.
- **Environmental Reports**: GHG reporting calculates greenhouse gases based on a selected emission source(s). Global Warming Potential is calculated for selected emission types and then converted to metric tons of CO2. Recycling reports display the number of pages of paper that are recycled on the client’s behalf.

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ENERGY DATA MANAGEMENT
Whether you have a small number of sites to manage or hundreds, having accurate data is one of the most important concerns facing energy managers today. Having accurate data allows you to build your energy budget, evaluate energy price forecasts and plan and execute successful energy procurement contracts, which in the end increases an organization’s efficiency and saves you money. A good energy data management service will provide financial coordinators with the numbers they need to understand the impact on the budget and energy managers with the data they need to evaluate the energy efficiencies of all buildings. Improved energy management provides a number of important benefits, including:
> Developing energy budgets and forecasts
> Analyzing trends and variances
> Assessing contract performance
> Managing multi-site utility information

SUMMARY
So while much of the focus on energy savings falls on procuring the actual commodity and securing a low rate, there are a host of additional services and strategies that can be employed to provide additional savings. In some cases, an organization can even create a new revenue stream while at the same time using less energy. It will always pay to look at all options and potential solutions in order to ensure energy costs are controlled and reduced to every extent possible.

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 clients including cities, schools, colleges, universities, housing authorities and municipal districts. He holds professional certifications from the Association of Energy Engineers and the Institute for Supply Management.
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Delivering the goods
Co-op purchasing unpacks savings
By Matthew W. Quinn
The overwhelming majority of governments use cooperative purchasing as part of their procurement strategy, according to a survey conducted by Government Procurement and its partner, NIGP: The Institute for Public Procurement. The study, which was emailed to the magazine’s subscribers in August, was a follow up to a 2011 survey on the use of cooperative purchasing. More than 720 people responded to the survey, in contrast to 170 who responded in 2011.

According to the current survey, 94 percent of governments use cooperative purchasing agreements. Approximately 47 percent anticipate their use of cooperative purchasing will increase over the next three years, while 43 percent anticipate it will stay about the same. Only about 3 percent think it will decrease, while 8 percent are unsure. In 2011, 95 percent of governments used cooperative contracts and 50 percent said they anticipated their use of cooperative purchasing would increase, while 41 percent anticipated it would stay the same, 3.6 percent anticipated it would decrease and 5.4 percent were not sure.

The survey shows that cooperative purchasing brings many benefits to a community. 92 percent of respondents say it saved them time, while 77 percent of respondents report it saved money. Program rebates also were noted by 33 percent of the respondents.

Brent Maas, NIGP’s executive director of business strategy and relationships, says the larger co-op programs may offer a greater number and diversity of contracts than their smaller counterparts. However, he emphasizes that the real value of a program is derived from the quality of the contracts it offers and how well each may fit the specific needs of the agency that may piggyback on it.

He suggests that to evaluate a co-op, one must review the nature of the program, the processes used to establish the contract, the contracting agency and the specific terms of the contract.

“All of those elements are the focus of the accreditation program the NIGP will roll out in early 2015,” Maas says.

COOPERATIVE PURCHASING DRAWBACKS

Survey respondents listed several concerns about cooperative purchasing. 45 percent thought there were too few local-purchasing options, while 41 percent thought co-op pricing was not aggressive enough. About 30 percent did not think cooperative purchasing met competitive solicitation standards, while 23 percent say there were not enough choices. About 40 percent of respondents who did not use cooperative contracts say they received better results from direct solicitations, down 10 percent from the 2011 survey.

What additional functions or features should cooperative contracts provide? 80 percent say local suppliers should be involved and 44 percent wanted involvement of small, women-owned or minority-owned businesses. 38 percent wanted more information on green compliance and sustainability.

Purchasing Technician Loretta Bush of Athens-Clarke County (ACC), Ga., says the main drawback with cooperative purchasing is that it eliminates competition. Smaller vendors cannot compete because they lack the revenue of the larger ones.

“It doesn’t give everyone an opportunity,” she says.

ACC doesn’t use cooperative purchasing for some items and services like consulting and engineering services and large equipment. Instead ACC will go through the conventional

Is it possible for a smaller program to offer a contract of equal or greater value?

About the survey

The online survey was conducted, and two invitations to participate were sent to Government Procurement subscribers. A total of 731 responses were received, including a breakdown of government unit types as follows: 32.8 percent city/municipality; 19.2 percent county/region; 10.4 percent school district (K-12); 11.2 percent college/university; 17.5 percent state agencies, divided equally between central procurement agencies (5.9 percent) and other state agencies (11.6 percent); 8.3 percent special district/authority (such as health, utility, housing, transit or airport), 0.7 percent federal agencies, and 4.6 percent of respondents chose “other.” The survey also asked each respondent about his or her organization’s total expenditures: 10.2 percent reported less than $25 million; 12.8 percent reported $26-50 million; 12.5 percent reported $51-100 million; 13.9 percent reported $101-250 million; 11.4 percent reported $251-500 million; 9.5 percent reported $501 million to $1 billion; and 9.6 percent reported $1 billion-plus. “Don’t know” responses were 20.1 percent.
If your government does not use cooperative purchasing contracts, which of the following describes why?

- Prevented by statute (state, local or other) 40.6%
- Prevented by agency policy 40.6%
- Better result through direct solicitation process 5%
- Other (please specify) 13.9%

What type(s) of contracts has your government unit used in the past three years?

- National 90%
- Regional 70%
- State 50%
- Local (joint-solicitation with neighboring jurisdiction) 30%

What benefits has your agency/entity experienced as a result of using cooperative contracts?

- Time savings 10%
- Expense savings 20%
- Program rebates 30%
- Other 40%

Approximately what percentage of your entity’s spending relates to a cooperative contract?

- 1-4% 26%
- 5-10% 24.9%
- 11-25% 22.6%
- 26-35% 15.1%
- 36-50% 7.9%
- >50% 3.5%

In the next three years, do you anticipate your agency’s use of cooperative contracts will increase/decrease?

- Increase 46.5%
- Decrease 42.7%
- Stay about the same 2.5%
- Don’t know 8.3%
bidding process, depending on the dollar amount involved. “We have so many firms up here and so many of our projects are unique,” she says. “We need [suppliers] to actually bid on them.”

Darin Matthews, Portland State University’s director of contracting and procurement, says that the biggest drawback in cooperative purchasing is that smaller and more local companies are cut out when procurement officials go co-op. When Portland State uses a co-op, those putting together the Requests for Proposals (RFP) do things differently than Portland State would.

“We would make sure that in our case, Portland-area suppliers were directly notified,” he says.

Matthews says that one area where co-ops can make themselves more useful is better partnering with local businesses or businesses owned by women or minorities.

Maas notes that fewer of this year’s respondents say that the choices co-ops offered were too narrow (23 percent vs. 28 percent in 2011) and that pricing wasn’t aggressive enough (41 percent vs. 47 percent in 2011). This shows that cooperatives have been more successful at expanding their offerings and pushing for the best pricing. However, he says the 2014 data shows 30 percent of respondents were concerned about co-ops not meeting competitive solicitation standards, a 10 percent increase over 2011’s 27 percent figure. Cooperatives should note that concern, since public procurement agencies almost universally require a competitive solicitation process as a criterion for piggyback use of a contract.

Maas also notes the concerns respondents had about a lack of local suppliers. The data indicates co-ops should be aware that locality is an important decision-making criterion and affects the approach a procurement professional takes when considering a cooperative contract or an independent solicitation.

“What that really translates into is a cooperative program being able to communicate the way in which the contracted suppliers represent or are members of the local community,” he says.

It might be difficult for a national co-op to support a purely local business, but some already do. For example, U.S. Communities contracts with Independent Stationers, a collection of local and regional office supply stores that are typically independently owned. Those stores compete with larger suppliers, but they’ve managed to carve out a niche.
“Independent Stationers is able to create the network of local suppliers who will honor the pricing as negotiated at the national level, but all the distribution product is coming from their stores,” he says.

**A POPULAR PROCUREMENT TOOL**

Cooperative purchasing represented between 5 and 10 percent of spending for 26 percent of respondents and between 11 and 25 percent for 25 percent of respondents. 15 percent used it for 26 to 35 percent of their spend, 8 percent for 36 to 50 percent and 3.6 percent for more than 50 percent.

Local/joint solicitations with neighboring jurisdictions grew dramatically in the past couple of years. In 2014, about 60 percent of respondents used them compared to approximately 17 percent in 2011. An unidentified survey respondent representing Wellesley, Mass., says when her town uses cooperative purchasing, it was along with other towns. The town issues an RFP each year per Massachusetts procurement laws and multiple towns — eight at present — buy off the contract, even though Wellesley is the name on it. The town is part of other co-ops, but those are fallbacks, not something it actually uses.

When asked the criteria the town uses for deciding when to purchase cooperatively, she says, “You need to be buying enough of whatever the product is in order to make it worthwhile for the company.”

If there’s a common product, the towns can go to the supplier in a group to acquire a larger amount than they would individually. Rather than buy 500 pens, for example, the towns would buy 10,000. That makes it worthwhile for the supplier to cut the price. The main drawback is the need to find enough partners to go in together. Fortunately, Wellesley has the opportunity to use a Massachusetts state contract if necessary, saving the town the time required to assemble an RFP (for bids over $30,000) or find three bidders (for bids under $30,000).

Bush says the major benefit of cooperative purchasing is that the competitive bidding process is already done. Bush anticipates continuing and even expanding ACC’s use of cooperative purchasing in the near future because it save administration costs and time.

Matthews says Portland State uses several contracts from local and national cooperatives as part of its everyday business. The criteria the school uses to decide whether or not to use the co-op are type of goods available, quality and pricing.

“We don’t want the cheapest out there but we want a good deal and good value,” he says.

Matthews says using co-ops saves staff time — if they need something fast and don’t have the time to assemble their own RFPs, a cooperative contract is a good way to go. It also helps get the best available price.

He anticipates the school will continue to use cooperative purchasing and will integrate the contracts into its new e-procurement system. On a wider scale, Matthews believes co-ops will be valuable to procurement officials because in many cases agencies are operating with limited resources. For example, a longtime procurement official might retire and not be replaced. Even for fully-staffed agencies, using co-ops will save time and allow for more training or focusing on different priorities.

**COMMON COOPERATIVE CATEGORIES**

The survey listed 14 different categories for cooperative purchasing. The most popular was information technology and electronics equipment (about 68 percent), followed by office supplies (66 percent), automobiles, trucks and transportation equipment (63 percent) and furniture (nearly 62 percent).

Matthews says Portland State uses cooperative contracts to buy desktop and laptop computers, which are a major spend area for the school. Cooperative contracts are also used to purchase laboratory supplies — pricing and convenience are two reasons. When the school’s scientists want a certain type of lab-tested equipment, using a co-op makes it convenient and cost-effective. Like most others, the school also uses co-ops to purchase office supplies.

Bush says that ACC uses cooperative purchasing to acquire buses and some cars and trucks. The community also piggybacks on a state cooperative agreement to purchase office supplies.

The 2014 survey revealed some changes in purchasing patterns since 2011. 32 percent of building and construction supplies were purchased via cooperative contract in 2014, while 26 percent were purchased cooperatively in 2011. 62 percent of furniture was purchased cooperatively in 2014 versus 54 percent in 2011.

Maas theorizes that changes in those two categories reflect changes in the economy since the 2011 survey. 2011 was during the tail end of the Great Recession, likely leading to less construction and fewer furniture purchases because of staff reductions.

**GETTING THE WORD OUT**

The Internet proved decisive in procurement specialists learning about cooperative purchasing. 78.3 respondents said the Internet and websites were how they received information or did research about cooperative purchasing, while 74.8 percent said they learned through word of mouth or networking.

Maas says co-ops will be pleased to see that the best opportunity they have to promote themselves is via the Internet. However, he says if they’re looking for face-to-face promotion, the best avenue for that is trade shows. Talking with peers and word of mouth is right up there with the Internet in terms of effectiveness. If co-ops fail to take this into account, their marketing efforts will suffer.

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**MATTHEW W. QUINN**, Government Procurement intern
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NIGP’s 69th Annual Forum and Products Exposition

Philadelphia expo draws procurement’s shining stars

Public procurement champions from federal, provincial, state and local governmental agencies in the United States and Canada gathered for the 69th Annual NIGP Forum and Products Exposition at the Philadelphia Marriott Downtown in Philadelphia, Pa., Aug. 23 – 27, 2014. Over 800 attendees embraced the theme set forth by NIGP President Don Buffum in his opening remarks: “Good public procurement CAN improve the world... It is our responsibility to do everything we can to ensure that the public procurement profession is moving in this direction.”

Congrats to NIGP Award Winners!

Albert H. Hall Memorial Award
Edmund J. Grant, Jr.
FNIGP, CPPO, CPPB, RPO, Cape May, N.J., 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.

Distinguished Service Award Winners

Stephanie Creed, CPPO, CPPB,
Procurement Manager, Olathe, Kan.

Bill Davis, CPPO,
Purchasing Agent, Virginia Beach, Va.

Barbara Johnson, MPA, CPPO, CPPB,
Contract Administrator, State of Ohio Department of Rehabilitation and Corrections
The NIGP Forum attendees connected and shared experiences like never before through traditional face-to-face networking as well as actively engaging one another via Twitter, Facebook and Instagram using the official hashtag, #NIGPForum2014.

Here's a roundup of tweets that highlight some of the conference's key moments.

@luvbugbetyboop: NIGP presented a check in the amount of $2,500 to the charity – Cradles to Crayons. #NIGPForum2014

@jdbingham: Looks like a great forum for recognizing procurement excellence. Well done from down under!

@rewis_chris: If ethics is good business, what's the problem? Food for thought. #NIGPForum2014

@smith_brian_: Frank Bucaro: Change cannot be controlled, it can only be guided. #NIGPForum2014

@MySulie: Absolutely hilarious presentation! #NIGPForum2014 uncrapifyyourlife blamegame officialnigp

@PeriscopeHldgs: “Each generation requires a different management strategy.” – Dr. Andrea Mitnick #NIGPForum2014

@PeriscopeHldgs: “There is no greater joy than leading peers to discover their dreams.” – Barbara Johnson, Distinguished Service Award Winner #NIGPForum2014

@smith_brian_: Procurement is the number one tool to reduce waste – Gov Ed Rendell #NIGPForum2014

@TammyJohn191: “Have the courage to take risks” Ed Rendell #NIGPForum2014 StammyJohn191 @NIGPForum @DoreenEidmann

Anne Deatherage
Meritorious Service Award

Carrie Woodell, MPA, CPPO, CPPB, CFPCM, C.P.M., A.P.P., Administrator, Orange County, Fla.

Professional Manager of the Year

Denise Schneider, CPPO, CPPB, C.P.M., Assistant Director for Purchasing and Material Control, Greater Orlando Aviation Authority, Fla.

Professional Buyer of the Year

Stacy Gregg, CPPO, CPPB, Procurement Specialist & P-Card Administrator, Richland County School District One, Columbia, S.C.

Chapter of the Year Award Winners

Columbia Chapter of NIGP — Small Chapter of the Year Award

Central Florida Chapter of NIGP — Medium Chapter of the Year Award

Virginia Association of Governmental Purchasing Chapter of NIGP — Extra Large Chapter of the Year Award

Spirit Award Winners

Debbie Kaminski, CPPB, Assistant Purchasing Agent, Fort Bend County, Texas – Champion of Chapters

LaWann Terry, NIGP Events Manager – Champion of Faith

Arizona State Capitol Chapter of NIGP — Large Chapter of the Year Award
For the third year in a row, the Washington Department of Transportation won the MEASURE UP Award which recognizes the NIGP member agency best using the free member tool called Measure to capture and report savings and efficiency gains through procurement activities.

OUTSTANDING AGENCY ACCREDITATION ACHIEVEMENT AWARD RECIPIENTS

Achievement of OA⁴ accreditation is realized upon successful completion of an agency self-evaluation process that assesses performance in 12 key functional areas. Obtaining OA⁴ accreditation is a prerequisite to qualifying for the pinnacle agency accreditation in public procurement, the Pareto Award of Excellence.

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> Polk County Sheriff’s Office, Fla.
> Broward County Sheriff’s Office Purchasing Bureau, Fla.
> Petersburg, Va. – Purchasing Office
> Texas Department of Transportation / Procurement Division
> Clovis, N.M., Purchasing Office
> Knox County, Tenn., Purchasing Division
> Hillsborough County, Fla., Business & Support Services – Procurement
> Seminole County, Fla., Government Purchasing and Contracts Division
> Henrico County, Va.
> Miami-Dade County, Internal Services Department, Procurement Management Division
> Edmonton Public Schools Purchasing and Contract Services, Canada
> Arizona Department of Transportation Procurement Group

UPPCC AGENCY CERTIFICATION AWARD 2014 RECIPIENTS

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

> Anderson County Government, Tenn.
> Anne Arundel Public Schools, Md.
> Arapahoe County, Colo.
> Arizona Office of Tourism
> Brevard County Board of Commissioners, Fla.
> Broward County Housing Authority, Fla.
> Ames, Iowa
> Cedar Rapids, Iowa
> Chandler, Ariz.
> Dearborn, Mich.
> Frisco, Texas
> Independence, Mo.
> Lakewood, Colo.
> Longmont, Colo.
> Mesa, Ariz.
> Miami Gardens, Fla.
> Naperville, Ill.
> Oviedo, Fla.
> Palm Bay, Fla.
> Palm Beach Gardens, Fla.
> Port St. Lucie, Fla.
> Raymore, Mo.
> Red Wing, Minn.
> Sparks, Nev.
> Tarpon Springs, Fla.
> Gloucester County, Va.
> Frederick County Public Schools, Va.
> Glendale Elementary School District #40, Ariz.
> Hinds Community College, Miss.
> Johnson County, Kan.
> Louisiana Department of Transportation and Development
> Little Rock Wastewater, Ariz.
> Livingston County, Mich.
> Mohave County, Ariz.
> Nashville Electric Service, Tenn.
> Ohio Lottery Commission
> Oregon Department of Revenue
> Poudre School District, Colo.
> Riverbanks Zoo and Gardens, S.C.
> Marana, Ariz.
> Oro Valley, Ariz.
> Queen Creek, Ariz.
> Unified Purchasing Cooperative Ohio River Valley, Ohio
> Lisle, Ill.
> Niles, Ill.
> Virginia Beach City Public Schools, Va.
> Warren County Purchasing Department, Miss.
> Washington County, Md.

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.
During its Aug. 26 business meeting, the Universal Public Procurement Certification Council (UPPCC) Governing Board unanimously voted in favor of eliminating the 10-year limitation on formal coursework and training under the 2014 certification eligibility requirements. The modification was made in an effort to resolve an unintended outcome of the new requirements.

The Governing Board determined that its goal of raising the level of professionalism by encouraging increased levels of public procurement education and professional development via the 2014 certification eligibility requirements was not being appropriately supported with the 10-year limitation in place. The limitation has instead created significant challenges for a small group of applicants whom, in comparison, possess the highest levels of procurement-related education.

The new certification requirements that went into effect Jan. 1, 2014 transitioned away from a system that assessed an applicants’ eligibility on a sliding scale to minimum requirements that apply to all applicants regardless of any additional educational accomplishments and/or achievements.

Consider the following two applicants as example. Both applicants earned their bachelor’s degrees in 1985 and meet the minimum formal education requirement. Applicant A, after earning her bachelor’s degree, continued on to earn a master’s degree in a procurement-related field, while Applicant B did not. Applicant B recently completed two online procurement-related courses. Both applicants apply for CPPO Certification, but only Applicant B is accepted. Due to the 10-year limitation on education/training, Applicant A received no credit for her advanced procurement-related degree or the coursework required to earn the degree since the degree was earned more than 10 years ago.

Although the UPPCC still fully supports all aspects of the 2014 certification eligibility requirements, it did feel a modification was in order to allow the organization to properly acknowledge and allow applicants to earn credit for procurement-related education/training that had been previously excluded with the 10-year limitation in place.

As the UPPCC Governing Board never intended to exclude this group of applicants, the Board has therefore made the modification retroactive and effective as of the start date of the new requirements (Jan. 1, 2014). All affected applicants dating back to Jan. 1 have already been contacted by UPPCC staff regarding their updated status.
Mission possible

Mission and vision statements can yield many benefits to an organization. They can clearly articulate priorities, set future direction and even bring a sense of unity. Although these terms are sometimes used interchangeably, they are actually very different. The way I look at it, a mission statement is a proclamation of what you are today, and a vision statement is an aspiration of what you want to be in the future.

Some of my favorite examples of mission statements come from the private sector. They include:

“To solve unsolved problems innovatively” - 3M Corporation

“To organize the world’s information and make it universally accessible and useful” - Google

“We will build good ships; at a profit if we can, at a loss if we must, but always good ships” - Newport News Shipbuilding

All great statements that I wish I had thought of myself. The one from 3M could easily be the mission of a public procurement office, right? By the way, the last one from Newport News Shipbuilding is from the late 1800s. This tells me that establishing a mission statement must be an effective business practice. Why else would we be doing it for so long?

So how do we apply this concept to the world of public procurement? Does our profession really need to worry about a mission statement? After all, doesn’t our organization already have one? The answers to these questions are yes, yes and yes.

Procurement and supply management should establish a mission statement that supports the organizational mission. On a daily basis we provide valuable services that allow our organization to be successful. Our mission should convey that message to our customers and stakeholders.

In a 2012 study, KPMG discusses ways that an organization can transform its procurement operation. A key part of such an effort is aligning procurement strategies and operations to promote the vision of the organization.

Here are some great examples of organizations with procurement mission statements:

“To foster cost effective quality purchase of goods and services to our University customers” - University of Toronto

“In order to support the goals and objectives of DPS, we are one Supply Chain Team working together to deliver Excellence in Procurement & Logistics for all students” - Detroit Public Schools.

This all reminds me of one of my first jobs in procurement: purchasing supervisor for a wastewater utility. When the superintendent asked me what I thought my primary job was, I answered, “to buy the right goods for the right place from the right supplier.” While this may be considered a great textbook answer, it wasn’t what my boss was looking for. He explained, “Our jobs are similar in that we make sure the water we treat is cleaner going out than coming in.”

So if you’re considering a mission statement for your procurement office, just make sure you’re on the same page as your organization.
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*EPA-estimated rating of 22 city/33 hwy/26 combined mpg, FWD. Actual mileage will vary.
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