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Government Procurement

Seat at the table

Stimulus funds are a two-edged sword:
They can elevate the role of procurement professionals
or reinforce bad stereotypes



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Seat at the table

Stimulus funds are a two-edged sword: They can elevate the role of procurement professionals or reinforce bad stereotypes.

BY DAVID YARKIN

For years, procurement officials have bemoaned — with ample justification — the diminished role they play within state and local governments. There is widespread belief that the acquisition community is not given the level of respect by governmental leaders that its responsibility and centrality to all government operations should command. Agencies' ability to execute their core missions would be stopped in their tracks without a high functioning procurement organization supporting them. Yet, all too often, procurement is an afterthought.

Passed in February, the federal government's massive stimulus bill — the American Recovery and Reinvestment Act (ARRA) — offers a once-in-a-generation opportunity to procurement officials to change the dynamic and restore the procurement department and its management to its rightful central place in the constellation of government agencies. As the economic downturn rapidly turned into one of the most severe recessions in modern history, politicians, business leaders and economists called on the new Obama administration and Congress to pass a stimulus bill. With a general lack of confidence in the economy, consumer spending had cratered and corporations were forced to cut costs instead of making major new investments. The only sector capable of

pumping money into the economy was government. The ARRA contains historic investments in alternative energy, energy efficiency, broadband expansion and infrastructure. Much of the spending will go through the offices of state and local procurement directors. Given the sheer amount of spending and the need to spend it quickly, the procurement community faces its sternest test in generations.

Preparing for the challenge

Every state has a different approach to spending the stimulus money, but there are a few constants. Many states have developed a recovery website where the public can track the money's movement through the system and the effect that money has had. Most of the governors have named stimulus czars, some of whom have developed teams of project managers, subject matter experts and managers of enterprise-wide operations to coordinate the implementation. Whether the teams include someone from the procurement organization is a good early indicator as to whether the contracting component of spending the stimulus bill is seen as a core function or an afterthought. It also can be viewed as a proxy as to how procurement generally is viewed by government executives — whether it is a strategic partner to the chief executive or a nameless, faceless part of the bureaucracy.

Oregon offers a typical example of how state officials interpreted the need to have procurement at the table. The state created the Oregon Economic Recovery Team to coordinate and track its infusion of federal stimulus funds. The team consisted of a finance manager, a technology manager and program managers for education, transportation, human services, natural resources, and housing and economic development — the key areas receiving stimulus funds. However, one key area was missing: procurement.

As Oregon and other states were assembling their stimulus teams, the 50 state procurement directors were gathering at the annual marketing meeting of the National Association of State Purchasing Officials (NASPO) in Chicago. With so much interest and uncertainty swirling around the stimulus bill, NASPO added a meeting to the agenda to discuss the recovery legislation. The meeting was an eye opener for Dianne Lancaster, Oregon's Chief Procurement Officer. "I came home from Chicago with a new belief that procurement had to put its hand up and claim our place at the table on the stimulus team," she says. "I got in touch with the Governor's Deputy Chief of Staff, who was the coordinator of the stimulus effort, and said that we had to be at the table. To my pleasant surprise, shortly thereafter, he asked one of his team members to contact me. We have been at the two meetings since then, and I was invited to be at the podium for our first agency briefing. [Being included] was easier than I thought it would be. Just asking went a long way," Lancaster says.

Lancaster's inclusion extended past the state's central procurement agency. The early meetings with agencies included budget and technology staff, but not procurement directors. When Lancaster was added to the working group, agency procurement directors were invited as well. "The point is we're not the first group that executive policy people think about. That's why we have to raise our hands," Lancaster says.

Procurement took a back seat in March at a White House conference on ARRA for the state recovery czars convened by President Obama and Vice President Biden. NASPO's President and Alaska's Chief Procurement Officer Vern Jones noted that only one question was asked about procurement in the daylong session. "And the question that we asked about the additional procurement procedures that are going to be required still haven't been answered," Jones says.

Governor offers purchasing a seat

Indiana Governor Mitch Daniels was intimately involved with and aggressively supportive of his state's strategic sourcing initiative, so it is not surprising that Daniels put the state procurement organization front and center in the recovery implementation effort. Rob Wynkoop, deputy commissioner of the Indiana Department of Administration (IDOA), credits Daniels and IDOA's new commissioner Mark Everson with giving procurement a seat at the table. "The commissioner saw there was a need for disbursing the money quickly but also for doing it in a fair, open, competitive way wherever possible," Wynkoop says. "He knew that the state needed to have a consistent bidding process for all stimulus-related procurements. IDOA procurement had the infrastructure and the people already

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in place to ensure the money was spent wisely and timely."

Wynkoop assembled a five-person SWAT team to manage the procurements coming out of the stimulus funds. "Whenever a new requirement comes up, the team is mobilized. They bring in subject-matter experts from the agencies or IDOA as needed," he says.

The SWAT team members were chosen from the IDOA's Procurement Division, with no additional public funds spent to handle the new requirements. The team members continue to perform their usual procurement functions while wearing the stimulus procurement hats. Wynkoop says that the additional workload has not led to any service disruptions, nor does he expect it to.

One of the more interesting stimulus bill-related procurements IDOA's SWAT team is leading involves weatherization contracts. Households at 200 percent of the federal poverty level are eligible for \$6,500 per family home in energy efficiency upgrades, hiring contractors to install insulation and replace outdated heaters and furnaces with more energy-efficient appliances. Wynkoop and his team recognized that federal funds could go further if purchases could be made collectively. Very soon, IDOA will have published solicitations to set up statewide contracts with manufacturers and distributors of energy efficiency supplies that Indiana contractors will have to buy from to weatherize houses under the stimulus bill.

Wynkoop also is leveraging existing contracts for new stimulus-funded procurement requests. For example, as school districts prepare to receive funds to enhance the technology in their facilities, IDOA will be using its existing statewide contract for laptops and desktops that already carry aggressive pricing and reporting requirements that will comply with the transparency mandates in ARRA. IDOA intends to negotiate deeper discounts than are already available on contract, using the additional millions of dollars of volume from stimulus as leverage.

Procurement is central in D.C.

The District of Columbia's Office of Contracting and Procurement (OCP) already is well positioned to influence stimulus bill spending. Its chief procurement officer, David Gragan is the only purchasing director in the country who sits on the chief executive's cabinet and reports directly to him. Gragan and his team are ensuring that they are involved at the front end of the stimulus procurements. "We don't want to wait until the requisition to develop the procurement strategy," Gragan says. "We want to have the procurement strategy long before we get the request. The agencies are waiting for the funding. But they know what

IN DEPTH > SOURCING THE STATES

they are going to buy before they get the money. If we know, we can have the procurement plan in place when they receive the funding.

“We would much prefer to be involved in the procurement from the very beginning rather than have a department develop all the requirements and tell us to put out an RFP,” he says. “It allows us to work collaboratively on the terms and conditions, the service levels, the specifications to create the most effective solicitation.”

The team canvassed the district’s departments, asking program managers for their list of stimulus projects that would require new contracts. OCP compiled those items in a spreadsheet and developed a procurement strategy for each. “When the requisition finally comes in with the funding, we can just look at the spreadsheet and follow the plan to get the procurement done,” Gragan says.

In keeping with ARRA’s emphasis on transparency, OCP posted the spreadsheet focused on the stimulus bill on its new website, <https://sites.google.com/a/dc.gov/ocpstimulus>. Following the passage of the ARRA legislation, Gragan convened two town hall-style meetings for vendors in the Washington area to learn more about stimulus-related contracting opportunities. All materials from the meeting as well as a video recording of the session were posted on the district’s ARRA website.

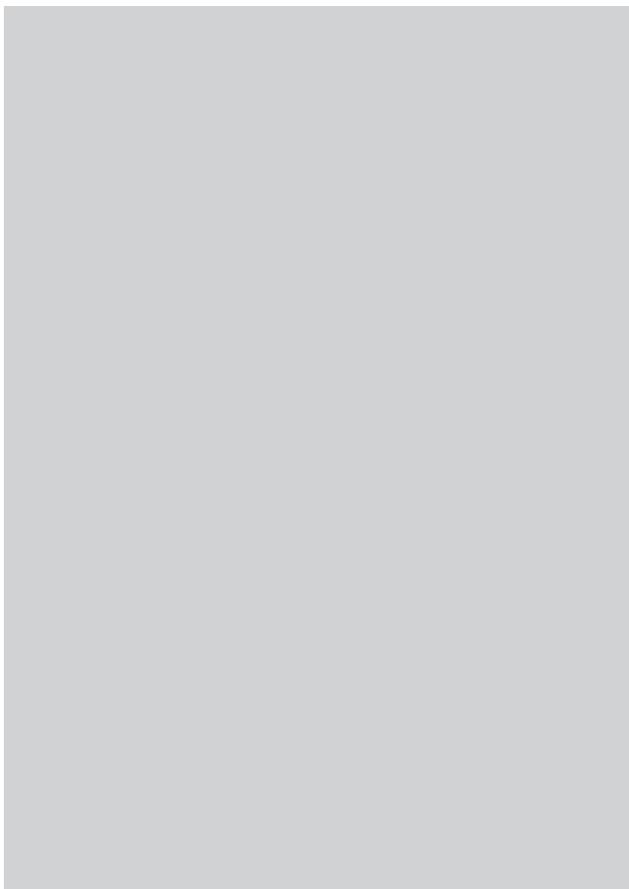
Gragan says that the town hall meeting was more than a public relations event. “We are going to need to shorten the procurement cycle dramatically so that the stimulative impact of these contracts is felt immediately in the economy,

and we put dollars in the hands of consumers. We may need to short cycle the advertising of opportunities. We may need to shorten the time a bid is on the street from 45 days down to 12. So, we need to let the vendor community know well in advance of the opportunities so they can prepare for them. We are giving them as much insight into the ARRA procurements as we have ourselves,” Gragan says.

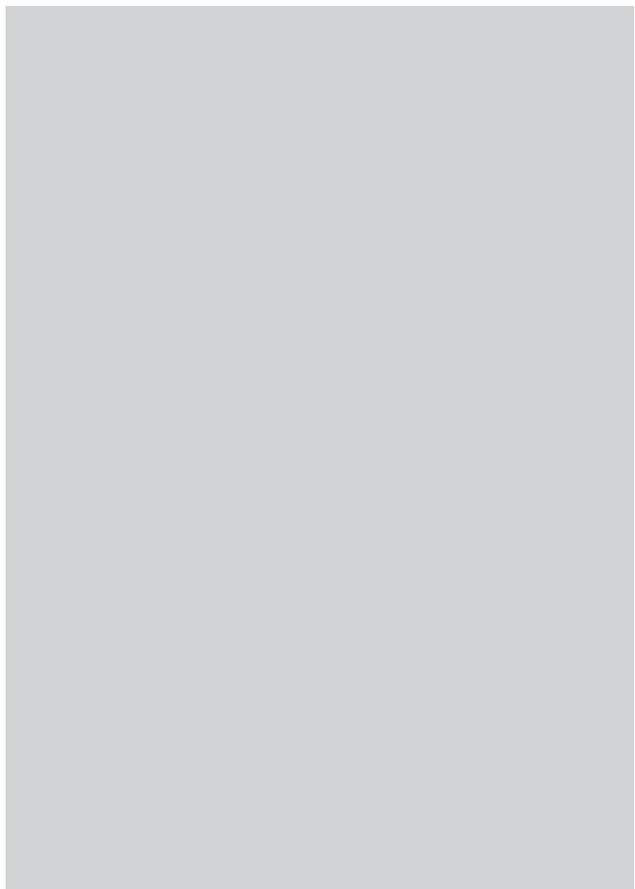
Cooperative purchasing stretches dollars

State procurement officials agree that piggybacking on contracts competitively procured by other governments is one of the most effective ways to ensure that stimulus funds are spent quickly, legally and wisely. “Interstate cooperative purchasing has got to be a linchpin, a key component of any procurement office’s toolkit,” Lancaster says. “I don’t know of any state procurement office that is over-resourced. By ourselves, no state can develop procurement with the size and complexity of these types of contracts that a national cooperative is capable of doing. Good contracts exist, are already up and running. You can effectively make procurements quickly through a variety of cooperative contracts that are out there. You know that they are going to be based on solid procurement work.”

Wynkoop hopes that his colleagues in other states leverage the work that his team has put into stimulus-related contracts. “We are all going to have weatherization dollars, why shouldn’t we go to the manufacturers of insulation and heaters together? Other states that may have gotten a later start than we did on this should just use our contracts.”



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Gragan hopes that one of the lasting legacies of the stimulus implementations is wide adoption of some of the changes to the procurement process forced by the legislative mandates and operational realities of the ARRA. "If we do this right, there is no reason why we shouldn't take the key developments and make them part of our standard operating processes. We should have ubiquitous contact with the vendor community. We should have constant and ongoing dialogue with our suppliers," he says. "Too often today, we see contracting as 'What can you do for me?' It should be two-way. We are notorious for our inability to do things quickly. I respect the fact that our processes are intended to be deliberative to protect public money, but thinking doesn't need to take 120 days."

Lancaster agrees. "The ARRA bill highlights the difficult balance that procurement directors always have to deal with: moving stimulus money into the private sector fast, effectively, in an accountable way, balancing the need for supporting the local economy with the need for fair and open competition that drives aggressive pricing. We're always on these pivot points, but this only exacerbates or highlights these pressures because of the sheer number of dollars we are talking about. When you combine big dollars and need for speed, you are in for a wild ride."

Gragan fears that if procurements take too long or are poorly handled, there could be a movement to cast aside procurement rules and processes that are in place to protect the integrity of the system. "The ARRA bill puts a huge magnifying glass on our profession. If we get it wrong, we

would substantiate the view in some peoples' minds that if we need to get something done quickly, we need to set aside the procurement rules. But if we get better at what we do, get closer to our customers, to fire chiefs and police chiefs, if they know that we are here to help them not hinder them, the whole world changes. If we don't do that, we only reinforce the belief that if you have an emergency, you need to get procurement people out of the way."

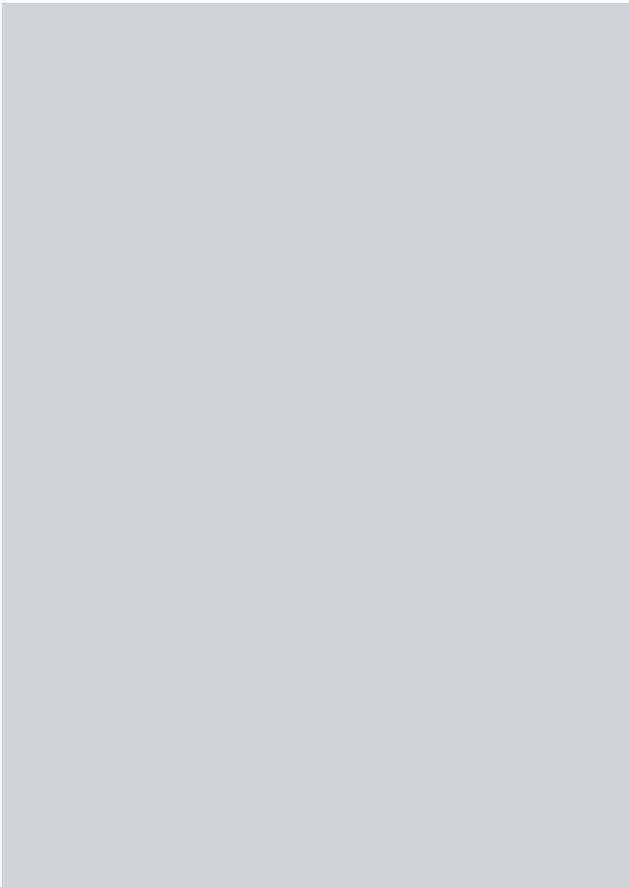
"We cannot afford to screw this up," Wynkoop says. "People think pretty highly of our work at IDOA procurement. If we gum this up and force people to lose funds because we didn't get a procurement out in time, they will go back to saying what they always said about procurement in the old days, that we slow the process down, that we add bureaucracy, that we don't get good deals. We are committed to getting it right and not going backward."

Gragan succinctly sums up what stimulus contracting means for the procurement community. "It is either a 'hero' or 'zero' proposition," he says.

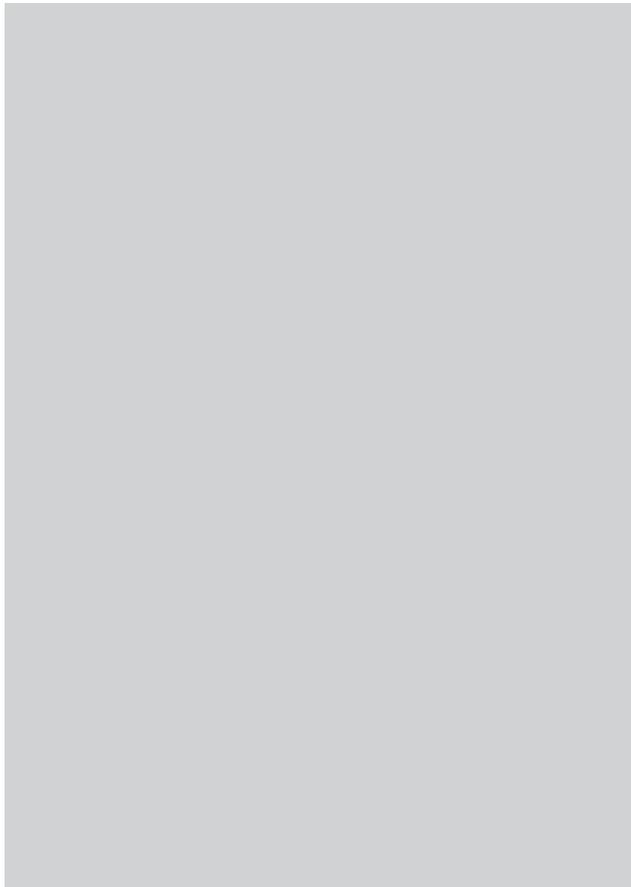
As a former public procurement professional, I hope that when the history books are written on this chapter, we are all remembered as heroes.

About the author

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