

Purchasing of Services In The Public Sector

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Abstract. Purchasing of services is perhaps the most demanding yet least understood aspect of Public Sector Purchasing. From the services of specialized physicians to janitors...from arts and crafts instructors to computer programmers...from “house arrest” monitoring of non-violent offenders to independent legal counsel...from the shoeing of horses to the rehabilitation of buildings...and everything in-between...Public entities are “contracting out” or purchasing more and more services from suppliers that are not part of the governmental structure. Although demanding and seemingly complex, this aspect of purchasing is, in reality, comprised of just a few critical elements. Once understood and applied, these critical elements will ensure that the Public Entity receives the services that it requires, at the quality level desired, over the duration actually needed and for a price it can afford.

Background. With budgets pretty much fixed or even declining and the citizens demanding that governments “do more with less,” the response has typically been to contract with private sector suppliers for services that once were performed by governmental employees. The nature of the contracted services runs the full gamut from physicians to janitors with everything in-between.

Perhaps the most common service purchased is that of consultants. However, many other services are being performed for governmental entities that formally were performed by employees. By way of example: janitorial services; warehousing and delivery of office supplies; health services; information technology services; travel services; printing services; food services; public relations services; fleet management services and security services...the list is almost endless.

How does a governmental entity purchase services while complying with bidding requirements and at the same time ensure that the service delivered will be up-to-standard and what is needed?

The Decision. When a crossroad is reached by a governmental entity to either continue using employees to perform the service or to purchase the service from the private sector, a thorough analysis of each option should be made. “Compare apples to apples” is the watchword. When analyzing the service(s) performed by employees versus an outside contractor, be sure the same functions are compared and rated as to cost, timeliness and risks. Volumes have been written on how to do these comparisons and on what factors to base a decision. This discussion takes up after the decision has been made to obtain the service from the private sector. Before leaving the topic of “the decision”, please note that the analysis should have developed a detailed “scope of work” (sow) of exactly what is involved in the service, and the standards to which it is to be performed.

To bid or Not To Bid. Professionals' services are usually not bid but where possible, competitively negotiated. Professionals are: doctors, lawyers, architects and engineers. In addition to these, each governmental entity has a working definition of what is "a professional" for the purpose of bidding or not bidding their services. Beyond those definitions lie vast territories of other services, which are very "biddable". Take full advantage of the marketplace for such services by bidding.

Bid Development. The Statement of Work (sow) is the key section in the bid or RFP document. It directly affects the entire procurement process. The Statement of Work (sow) tells the prospective bidder exactly what is expected and when. It also sets forth the measure of performance compliance. Statements of Work (sow) vary greatly depending upon the service being bid and no two will be alike.

The K.I.S.S. ("Keep It Simple...") Principle fully applies. A Statement of Work (sow) should not be anymore complex than necessary. However, all information must be clearly and completely stated. Do not assume that the potential suppliers know what is required. State it. However, do not include in the Statement of Work (sow) requirements that are covered elsewhere in the procurement documents. Reference them.

Write the Statement of Work (sow) in a way that encourages competition, not limits it. Do not include language that would favor a specific supplier.

Use short sentences and simple language. Use mandatory language, "shall"... "will"... "must". Avoid ambiguous terms such as: "as necessary..." "to the extent necessary..." "should ..." "as required..." "as applicable...." Describe the extent of the requirements or the maximum / minimum acceptable. Be specific regarding the supplier's obligations.

In order to avoid confusion and misunderstandings, use the same terminology through the Statement of Work (sow) and throughout the entire procurement document(s).

If there are diagrams, drawings, charts, tables or illustrations, be sure they are referenced in the Statement of Work (sow) and included with the procurement document(s). The bid or RFP, once developed, written and released, is handled just like any other bid...it's received back, evaluated and awarded in the same manner and by the same rules, regulations, guidelines, policies and procedures that your department customarily uses.

It Will Not Take Care of Itself. Once a major project contract is in place, the tendency is to let it take care of itself. IT WON'T! Pro-active contract administration is absolutely necessary to ensure viable service over the long term.

Open, frank, two-way communication is the key to pro-active contract administration. The entire goal of contract administration is to prevent problems from developing in the first place. If problems do crop up (and they will), they can be dealt with and corrected while small before a crisis develops.

Pro-active contract administration also optimizes or at least improves a contractor's performance. Any marginally ethical contractor learns very early in the contract period that "corner cutting" and sub-optimal performance will not be tolerated. This actually results in a synergism during the contract that benefits all parties. Further, at the end of the contract there are no surprises and no disappointments.

The Bottom Line. The services' marketplace is there, it's big and it's all-inclusive. To take full advantage of the potential may initially seem daunting but it's not.

Thorough analyses of the advantages versus disadvantages of contracting out will show the viability (or not) of contracting for the service.

A complete, concise and thorough "Statement of Work" (sow) will have been developed during the analysis, which will become the centerpiece of the bid or proposal document. The bid or proposal is then handled just like any other through the award.

Then, pro-active contract administration ensures that there will be open communication and minimal problems throughout the life of the contract. There will be no surprises and / or disappointments at the end of term to deal with.

The public entity that contracts for services by applying these few procedures thoroughly, will indeed receive the services that it requires, at the quality level desired, over the duration actually needed, and at the price it can afford.