



## Improving Procurement Practices in the Wake of the Pandemic

**H**istorically, procurement has often been something of a backwater of state and local government management. But when the pandemic hit, procurement officers suddenly became either the heroes or the goats of government service. Shortages of masks, ventilators, cleaning equipment, and even toilet paper seized the public's attention and provoked calls for reform.

Now, with the aid of vaccinations, the pandemic has been waning. But many in government continue to be focused on ways to improve their procurement practices. Even though the pandemic has been a singular event, other emergencies can easily smash supply chains, leading to shortages of necessary goods and services.

"Reading about the 1918 pandemic," said Nathan Myers, associate professor of public science and public administration at Indiana State University, "there was a sense of collective amnesia. It was such a terrible thing that people chose to forget it. Hopefully with more documentary evidence now, people will remain committed to seeing procurement reform through."

Of course, even in the absence of a pandemic, hurricane, tornado, or wildfire, the necessity of strategic procurement policies is a day-to-day concern.

Purchasing practices that focus only on low-bid have been common practice historically. However, as more governmental entities work towards not only budget goals, but also consider business continuity, long-term financial



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planning, and impact on service level – many governments have begun consider risk and quality factors beyond price.

Michael Owh, chief deputy director at the internal services department of the County of Los Angeles, said: "The world had prioritized efficiency over resiliency. Many were hyperfocused on getting the best price." Owh's county has been reviewing ways to move away from that environment, as have many others.

The State of Florida ran into these kinds of issues during the pandemic, and now, "we are transitioning away from low

bid,” said Carrie Mathes, procurement manager for Orange County Government in Florida. “Beyond just price, we want to know if vendors can get services to us without disruption. And you can’t necessarily do that with low bid.”

Whether or not low-bid contracts are used, one of the most alarming lessons of the pandemic is that in times of pressing shortages, vendors can turn out to be less competent than they first appeared to be if they aren’t vetted sufficiently. “During the pandemic, states faced challenges with irresponsible suppliers who were not able to provide the materials they promised or whose products did not meet the specifications required by the solicitation,” said Lindle Hatton, chief executive officer of the National Association of State Procurement Officials.

Fortunately, he said, “procurement professionals are trained to incorporate supplier responsibility requirements and conduct supplier vetting that helped to identify these ‘bad actors.’”

To be fair, even the most responsible vendors couldn’t please all their customers over the course of the last months. Their own suppliers were often in short supply, leaving them caught in between. As one distraught vendor told us, “I had a customer call me and he needed disinfectant wipes. I said, ‘it’ll take a month and a half,’ and he started screaming at me. People were screaming at me all the time. I don’t know what they thought, that we were stocking everything? Nobody is big enough to handle that kind of stocking.”

One seemingly obvious way for localities and states to be sure they have all the goods they need, regardless of circumstances, is by warehousing. But most of the experts interviewed for this column agreed that warehousing is simply not the best route to guaranteed supplies or best use of limited budget resources. Rick Grimm, chief executive officer of NIGP: The Institute for Public Procurement, said, “The key decision about warehousing is deciding what you need to warehouse versus purchase on demand to sustain operations. Are you able to define what items you need to store in the right quantities and reorder points given that there are carrying costs of inventory and the risk of obsolescence?”

Beyond these salient questions, public-sector warehouses can easily be long-term housing for goods that wear out before they’re needed.

Consider the plight of San Diego County, California, in the early days of the pandemic. The county had warehoused N95 masks for just such an event.

“When the pandemic first hit,” recalls Jack Pellegrino, director of the department of purchasing and contracting for San Diego County, “we had something like 300,000 N95 masks in our medical operations warehouse, and we found that they were beyond their shelf life. The elastic bands had deteriorated, and they couldn’t hold compression. So, in light of the

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worldwide shortage and unavailability of new N95 masks, we decided to retrofit for our immediate emergency needs by buying a million large, number seven, latex-free rubber bands to replace the straps in the back.”

One alternative to governmental entities warehousing for themselves is turning to their vendors to do so. This isn’t always a viable option, as vendors don’t necessarily have the capacity to keep sufficient supplies in stock, but it can be helpful, and “many states have augmented their state-owned warehouse capabilities by contracting with suppliers to expand storage and delivery resources during times of crisis,” according to Hatton.

Another element to a procurement plan that can help to provide goods in times of short supply is reliance on multiple suppliers, instead of just one. This is particularly true when the vendors are providing supplies on a just-in-time

basis, and they aren’t necessarily being kept in warehouses for provision when they’re needed.

“Procurement officers have learned over the last 15 months that single sources of supply are often not good,” said Pellegrino. He pointed out that though there are times when only one supplier can be beneficial for obtaining quantities of scale and advantageous pricing, limitations in sources of supplies can unknowingly increase risk to an organization during emergency situations.

Many localities have helped buttress themselves from shortages—and help get good prices—through cooperative purchasing, where they join forces with other entities to buy larger quantities of goods. This makes them even more important customers to their vendors, which is always a good thing.

Of course, with cooperative contracts, there’s the hazard that individual entities won’t vet the details thoroughly enough. NIGP’s Grimm said: “When accessing cooperative contracts, the purchasing agent still has the fiduciary responsibility to manage the contractual relationship with the supplier. That burden does not shift to someone else.”

In fact, NASPO made an effort during the pandemic to support these efforts by regularly hosting scheduled calls for state chief procurement officers. “These calls have allowed states to discuss available supply chains and identify opportunities for cooperative purchasing,” explained NASPO’s Hatton.

There are, of course, no magic solutions to solve all the issues of procurement. But the pandemic has been a stressor that revealed the weaknesses in supply chains and helped to solidify efforts to make sure that they’re strengthened in the future. There may not be another event of this magnitude in our lifetimes, but if procurement practices have become more strategic because of it, that will benefit cities, counties, and states for years to come. ■

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