SYMPOSIUM ON GOVERNMENT PROCUREMENT, PART I

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GOVERNMENT PROCUREMENT: PAST AND CURRENT DEVELOPMENTS
Khi V. Thai and Rick Grimm*

ABSTRACT. Government procurement has been a neglected area of study in higher education and research. This symposium is one of the first efforts in examining government procurement. This article will provide a brief overview of government procurement developments and summarize major themes of manuscripts included in the symposium.

INTRODUCTION
In addition to providing a legal framework for all economic, social and political activities, government is involved in three major categories of other activities: (a) the redistribution of income, (b) the production of goods and services, and (c) the purchase of goods and services (see Stiglitz, 1988; and Rosen, 1999), for further explanation of the first two categories of activities). Purchasing of goods and services or procurement is important because it supports all functions of government. Each governmental unit needing supplies, equipment, and services to accomplish its mission (Coe, 1989), should purchase them in an equitable, transparent and economical way (Kelman, 1990).(1) Equity, integrity and economy (efficiency), three basic characteristics of a sound government procurement system, can not be easily achieved. Moreover,

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the government purchase volume and the complexity of government procurement have made government procurement more important than ever before. This article will provide an overview of government procurement and summarize major themes of the symposium.

HISTORICAL DEVELOPMENTS OF GOVERNMENT PROCUREMENT

Early Developments

Procurement has a very early root. Written on a red clay tablet, found in Syria, the earliest purchase order dates from between 2400 and 2800 B.C. The order was for “50 jars of fragrant smooth oil for 600 small weight in grain” (Coe, 1989: 87). Other evidence of historical procurement includes the development of the silk trade between China and a Greek colony in 800 B.C., and the contractual issues associated with supporting the Roman Army in Spain as early as 300 B.C. Later in this symposium, Guy Callender and Darin Matthews, later in this symposium, provide a summary of procurement developments after the early periods mentioned above.

Government Procurement Developments in the United States

In the United States, according to Page (1980), government procurement at the municipal level predates that of state and federal governments. In the settlements and colonies, printing was one of a few services contracted out by government. But there were no professional procurement officials; goods and services needed by government were supplied by commissioners or commissaries, who received a commission on what they bought for the militia or other administrative units. It was not until the late 1800s that state legislatures began to create boards or bureaus responsible for purchasing. But central purchasing was hardly a practice at that time. Oklahoma was the first state government to provide to create in 1810 a board to purchase centrally for all state departments and agencies (Page, 1980). Since then, centralized purchasing has gradually become common. However, the centralization trend has been challenged in recent years. Many practitioners and researchers have contended that purchasing authority, especially in government, must be decentralized in order to provide more responsive support to end users, eliminate bureaucratic obstacles to program accomplishment, improve interdepartmental coordination, and empower service delivery managers to procure what they need without impediment by a centralized organization.
In addition to centralized purchasing, there was a movement toward adopting a uniform government procurement code. With the endorsement of the American Bar Association, the American Law Institute and the National Conference of Commissioners on Uniform State Laws promulgated the “Uniform Commercial Code” (UCC) and completed it in the fall of 1951. Pennsylvania was the first state to enact UCC; and now all states except Louisiana have adopted most provisions of the uniform code (Page, 1980).

At the federal level, the first purchasing action occurred in 1778 when the Continental Congress approved the appointment of purchasing commissionaires, whose purchasing work was compensated by two percent of the value of their disbursements in support of the Continental army. But by the end of the year, as this arrangement led to excessive costs and possibilities of fraud, the purchasing officers were placed on salary. In 1792, the U.S. Congress passed a purchasing-related act that authorized the Departments of War and Treasury to make purchases in the name of the United States. The first significant procurement, made in 1794, was for a group of six large frigates for the new U.S. Navy. But bad early experiences with this procurement led to the passage in 1795 of the first comprehensive procurement legislation, the Purveyor of Public Supplies Act, which became the basis for military procurement. Misconducts and abuses in federal procurement again led to the Procurement Act of 1809, requiring formal advertising in government procurement. Since then, a series of following legislation and executive orders were passed or issued:

- The Civil Sundry Appropriations Act (1861), mandating formal advertising and competition;

- The National Defense Act (1916), authorizing the President, in time of war or when war is imminent, to place military supply orders that would take precedence over all other orders and contracts;

- The Davis-Bacon Act (1931), requiring firms receiving federal construction contracts to pay their workers at least the minimum wage rates;

- The Buy American Act (1933), prohibiting purchases of materials and products that are not produced or manufactured in the United States unless the price differential is deemed unreasonable;

- The Copeland Act (1934) and the Anti-Kickback Act (1946), prohibiting kickbacks such as subcontractors making payments to a prime contractor or a higher-tier contractors, and employees demanded to return to their
employers any different portion of the minimum wages under the Davis-Bacon Act over the market wages;

- The Walsh-Healy Public Contracts Act (1936), setting an overtime pay rate of time and one-half for all hours worked in excess of eight hours a day or forty hours a week, and setting minimum working ages for boys and girls;

- The Assignment of Claims Act (1940), providing that claims against the government may be assigned to a financial institution;

- The Small Business Act (1953), securing government contracts in behalf of small business; and

- Additional statutes which have been passed by Congress and/or issued by the executive branch since then.

Because state and local laws are so numerous and their coverage so diverse, it is impossible to document them in this article. In 1975, in a pioneering effort, the Council of State Governments published a report tabulating purchasing statutes and regulations of all states, major counties and cities.

**Current Issues in Government Procurement**

In the last 20 years, environment changes have had or will have great impact on government procurement theories and practices. First, in the United States (and many other countries), the movement toward deregulation, paperwork reduction, government reengineering and performance, and privatization has led to a renewed concern about the cost of regulations. According to the U.S. Office of Management and Budget (1988), rough estimates have suggested the burden of federal regulations on the American economy ranged from $50 to $150 billion a year. Government procurement regulations and procedures were one of the reform areas.

Along with efforts in improving procurement efficiency through reducing regulations, one of the basic characteristics of government procurement, equity, has been challenged. Several states such as California and Florida have begun to revisit statutes that set aside a fair portion of government purchase for small business and minority firms.

One of the most important challenges in government procurement is how to best utilize information technology in an age of communications revolution, or commonly called information superhighway. This revolution has had great
impact on all aspects of the society, including government. In the private sector, there has been a successful revolution, e-commerce. Following e-commerce is e-government, according to a survey of *The Economists* (Anonymous, 2000). Actually, Singapore has already launched the IT2000 Masterplan, which provides a blueprint for the use of information technology (IT) in every department and “spawned the Singapore ONE project B-a broadband infrastructure of high-capacity networks and switches throughout the intelligent island” (Anonymous, 2000: 17). E-government has a number of benefits, including improving government efficiency and meeting rising expectations of services. In the United States, using the Internet for all government services has its barrier as more than half of the population, including the elderly and the under-educated, cannot access the Internet. This barrier is not a problem for e-procurement, as all vendors and government procurement officials are wired. Moreover, on June 30, 2000, President Clinton signed the Electronics Signatures in Global and National Commerce Act that makes contracts sealed by computer as binding as those signed in pen and ink and declared: “Online contracts will now have the same legal force as equivalent paper contracts” (Knutson, 2000: 27A). This act will accelerate the use of e-procurement in the United States, at all levels of government.

E-procurement provides a wide range of functions, including:

- Posting procurement policies, procedures and forms used by vendors and procurement officials;
- Providing on-line bid opportunities, bid tabulations, vendor information;
- Updating the list of contractors and approved contractors;
- Allowing staff to search qualified services and products through on-line catalogs and the on-line list of approved contractors;
- Notifying procurement opportunities to vendors in selected areas of interest;
- Disseminating contract opportunities to, or posting subcontracting opportunities for small, minority or women-owned firms;
- Allowing vendors to submit on-line bids or applications; and
- E-signing contracts.

E-procurement has a variety of benefits. First, it saves labor and materials by eliminating the cumbersome task of mailing solicitation packets
to vendors, as President Clinton predicted that “eventually, vast warehouses of paper will be replaced by servers about the size of VCRs” (Knutson, 2000: 28A). Some big private companies save as much as 20% by putting their supply chains on the web. As the federal, state and local governments spending on materials and services this year will be around $550 billion, and if government procurement can replicate this, the American governments will save $110 billion, according to The Economists (Anonymous, 2000). E-procurement enhances competitive bids, and improves equity through on-line bid dissemination to a wide range of contractors, including small, minority, or women-owned firms. It also increases customer satisfaction by promoting understanding and improving relations between government procurement officials and vendors. It also makes government more transparent (United Nations, 1999) as e-procurement makes procurement records more accessible and open to vendors and the public. Finally, e-procurement enhances decentralized procurement (United Nations, 1999) by allowing employees to submit on-line purchase orders directly to approved contractors.

Another trend in government procurement is its globalization. In the past twenty years, the Internet, mobile phones, and satellite networks have shrunk space and time (United Nations, 1999). As perceptions, values, and public policies have changed in recent years, and as more and more countries have joined regional free trade groups and the World Trade Organization, government procurement has been regionalized and globalized in the areas of customs and government procurement. Indeed, the European Union (EC), for example, has been exploring an appropriate approach for regional government procurement, which was considered as one of the last obstacles for European market harmonization (Bovis, 1998). Similarly, the Asia-Pacific Economic Co-operation Forum, the Central European Free Trade Agreement, and the North American Free Trade Agreement have worked on or implemented comprehensive government procurement procedures and regulations.

Globally, the World Bank, a very large international procurement organization whose over $20 billion annual lending average has funded about 220 new development projects, has established complicated procurement procedures that client countries have to follow. In addition to two sets of procurement procedures or guidelines, Use of Consultants by World Bank Borrowers and the World Bank as Executing Agency (or the Consultancy Guideline), and Procurement Under IBRD Loans and IBRD Credits (or the Procurement Guideline), every World Bank project needs a staff appraisal
This report is intended to clarify possible misunderstandings related to the funded project’s procurement process. There are four major concerns or objectives of the World Bank guidelines:

- To ensure that the loan is used to buy only those goods and services needed for the project;
- To ensure fair competition for all qualified bidders from the World Bank’s eligible countries;
- To encourage development of indigenous contractors and manufacturers by allowing local buyers to build in a margin of preference for local contractors and manufacturers; and
- To promote transparency/integrity (Tucker, 1998).

In addition to the World Bank procurement and consultancy guidelines, the United Nations has adopted, in 1996, the Guide to Enactment of UNCITRAL Model Law on Procurement of Goods, Construction and Services. The World Trade Organization also established its own procurement guideline, “Government Procurement Agreement” in 1994. A major difference between the United Nations’ and the World Trade Organization’s government procurement guidelines is that the World Trade Organization emphasizes environment protection. A major difference between the World Bank’s procurement procedures and those of the United Nation and the World Trade Organization is that the World Bank’s guidelines are limited to the Bank’s client countries, while government procurement guidelines adopted by the United Nations and the World Trade Organization are more globalized in applications.

In reality, government procurement is not limited to technical and managerial aspects; it has been utilized as an important tool for economic development. Thus, globalized government procurement, whose objective is to attain harmony among countries, often results in conflicts of interests among the world and regional organizations. Indeed, protectionism from competition in public procurement and preferential awarding of government contracts to indigenous suppliers and contractors have reflected mainly a concern of all members of regional and world organizations for preservation of their nation’s industries and related workforce.
In the last three decades, there has been a perception of government failure and policy makers and researchers have searched for an appropriate or optimal size of government. A movement toward reinventing government and privatization has emerged in many industrialized countries and particularly in the United States. Consequently, since early or mid-1980s, the growth of government spending has been slow in most European countries and the United States. The slow growth or decline of government spending, coupled with the privatization and reinventing government movement, has resulted in the decline in government purchases.

**TABLE 2**
(In Billions of Dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</th>
<th>Government Consumption and Investment*</th>
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<td></td>
<td></td>
<td>Total</td>
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<tr>
<td></td>
<td></td>
<td>Federal</td>
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<tr>
<td></td>
<td>$ Billions (% of GDP)</td>
<td>Total Defense</td>
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<td>------</td>
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</tr>
<tr>
<td>1960</td>
<td>527.4</td>
<td>113.8 (21.58)</td>
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<tr>
<td>1965</td>
<td>720.1</td>
<td>153.7 (21.34)</td>
</tr>
<tr>
<td>1970</td>
<td>1039.7</td>
<td>237.1 (22.81)</td>
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<tr>
<td>1975</td>
<td>1635.2</td>
<td>361.1 (22.08)</td>
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<tr>
<td>1980</td>
<td>2795.6</td>
<td>569.7 (20.04)</td>
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<tr>
<td>1985</td>
<td>4213.0</td>
<td>878.3 (20.85)</td>
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<tr>
<td>1990</td>
<td>5803.2</td>
<td>1181.4 (20.36)</td>
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<tr>
<td>1991</td>
<td>5986.2</td>
<td>1235.5 (20.64)</td>
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<tr>
<td>1992</td>
<td>6318.9</td>
<td>1270.5 (20.11)</td>
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<tr>
<td>1993</td>
<td>6642.3</td>
<td>1293.0 (19.47)</td>
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<tr>
<td>1994</td>
<td>7054.3</td>
<td>1327.9 (18.82)</td>
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<tr>
<td>1995</td>
<td>7400.5</td>
<td>1372.0 (18.54)</td>
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<tr>
<td>1996</td>
<td>7813.2</td>
<td>1421.9 (18.20)</td>
</tr>
<tr>
<td>1997</td>
<td>8300.8</td>
<td>1481.0 (17.84)</td>
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<tr>
<td>1998</td>
<td>8759.9</td>
<td>1529.7 (17.46)</td>
</tr>
<tr>
<td>1999</td>
<td>9256.1</td>
<td>1630.1 (17.61)</td>
</tr>
</tbody>
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Note: *The amounts of government consumption and investment are much higher than those of annual government procurement

In the United States, as government spending as a percentage of GDP has declined, government purchases of goods and services have also declined. As shown in Table 1, government purchases increased slightly from 21.58% of GDP in 1960 to 22.81% of GDP in 1970, and 22.08% in 1975. Government purchases declined to about 20% of GDP in the 1980s and early 1990s. Government purchases reached the lowest level in 1998 at 17.46% of GDP.

A significant trend should be noted: the volume of state and local government purchases has surpassed that of federal purchases since 1970. As shown in Table 1, state and local governments purchased $47.9 billion or 72.29% of the federal government’s purchase of $65.9 billion in 1965.

But in 1999, state and local governments’ purchase volume was $1,059.4 billion or 185.63% of the federal purchase volume of $570.7 billion. In reality, the federal government has purchased much more than what has been reported, if health care services provided by private providers are included.

Although government purchases have declined in terms of percentage of GDP, the purchase volume is large, reaching $1.6 trillion or almost one-fifth of the economy. In order to manage the large procurement volume, a workforce of over one-half million professional procurement employees is needed (Page, 1980). They are responsible for a variety of procurement functions such as purchasing, warehousing and distribution, supply-record keeping, and inventory taking.

In the federal government, a series of procurement-related jobs have been classified in the U.S. Office of Personnel Management’s (various years) Position Classification Standards for Positions Under the General Schedule Classification System (Part 19). These jobs include supply program management, inventory management, contract and procurement, purchasing, quality inspection, traffic management, distribution facilities and storage management, property disposal, and logistics management.

**SYMPOSIUM’s PURPOSE AND THEMES**

As discussed above, government procurement is a very important sector of the economy, consuming almost one-fifth of GDP. Moreover, every governmental unit has to purchase goods and services for its operations and needs professional procurement officials to effectively and efficiently manage procurement. Government procurement officials have created their own professional organizations such as the National Institute of Governmental
Purchasing, Inc., and the National Association of State Procurement Officers (see Callender and Matthews, and Gordon and Sekwat in this symposium for the importance of these professional organizations). Unfortunately, government procurement has been a neglected area of study in higher education and research despite a large volume of purchases and a large workforce responsible for procurement. Indeed while many universities’ programs in business administration and continuing education have offered courses in private sector procurement, all public administration programs in the National Association of Public Affairs and Administration roster hardly offer a course, albeit a concentration, in government procurement. Meanwhile, in the private sector, according to the National Association of Purchasing Management’s (2000) non-all-inclusive list, in 2000, there are 103 institutions offering purchasing-related courses, 72 institutions offering degree programs, and 50 offering certificate programs. Of 72 institutions offering academic degree programs, five institutions offer Ph.D. degree programs, 27 offer Master degree programs, 39 offer Bachelor degree programs and 23 offer Associate degree programs. Courses may be in purchasing, materials management, logistics, supply management, or related areas. Degrees may be in business administration with emphasis in one of those areas. Seventeen institutions offering purchasing-related courses through distance-based methods, such as video, satellite, or the Internet.

Recognizing this problem, in one of its pioneering efforts for applied research, publication and education, the National Institute of Governmental Purchasing, Inc. (NIGP), decided, in 1998, to build up partnerships with higher education institutions. At its July, 1999 Annual Forum in Halifax, Canada, NIGP signed a partnership agreement with Florida Atlantic University. As a result of this partnership, a new FAU-NIGP Research Center was created and approved by the State University System in late 1999. Intensive cooperative efforts have been in progress: academic degree programs in government procurement have been studied; a new Journal of Public Procurement has been planned with its first issue ready for the NIGP 2001 Annual Forum; and a first national survey was mailed to NIGP in Spring 2000. This symposium is another result of NIGP’s pioneering effort. As government procurement has become more complex, this symposium can cover only several critical issues as follows.

**Professional Status of Government Procurement**

Is government procurement a true profession? This question is addressed in two articles. Although addressing the same issue the issue of government
procurement as a profession—these two articles discuss the issue of profession in different perspectives. In “The Public Purchasing Profession Revisited,” Stephen B. Gordon, Stanley D. Zemansky, and Alex Sekwat revisit two vital questions largely ignored in the scholarly literature devoted to professionalism in government. First, is the public purchaser a professional? After a careful analysis of the issue, the authors conclude that a public purchaser that meets certain requirements in government purchasing practices distinct from traits reserved for recognized traditional professions such as law, medicine and clergy can be a professional. Is public purchasing a profession? After analyzing basic criteria that characterized a profession such as the existence of esoteric knowledge, rigorous formal training, codes of ethics, representative association, autonomy in practice, and criteria for admission into the occupation, the author conclude that public purchasing is a profession.

In “Government Purchasing: An Evolving Profession?” Guy Callender and Darin Matthews seek to establish professional credentials for purchasing practitioners. As government organizations step hopefully into a new century, among the challenges they face will be the demands of the “New Purchasing” and persistent pressure to redefine the role of the purchasing practitioner in government. Reengineering of purchasing activities was a constant feature of the 1990s in many government jurisdictions. Those who manage the function usually influence a large share of organizational expenditure and must also cope with the demands of e-commerce, devolution of responsibility, partnering and strategic alliances, and the implications of globalization within the context of an accountable public sector.

**Government Procurement Theory**

In public administration education, government procurement has been neglected, as mentioned above. This negligence is seen in public administration textbooks, which do not cover government procurement. Only a few public budgeting textbooks including that of Charles Coe (1989) and Rabin, Hildreth and Miller (1996) devote a chapter to government procurement. There is a lack of interest in building theoretical background for government procurement. In “Governmental Purchasing in The Public Policy Process: Orienting Theory and Practice,” Thomas A. P. Sinclair raises a question: What do purchasing officers and policy theorists have to offer one another? Sinclair argues that policy frameworks can help purchasing officers anticipate or predict change and respond to those changes earlier and more effectively. Likewise, purchasing officers and the study of the
governmental purchasing systems they operate could contribute a great deal to the development of policy theories or frameworks. This article outlines the central features of two important policy frameworks; institutional analysis and development within the tradition of institutional rational choice, and the advocacy-coalition framework and applies those frameworks to the government purchasing arena.

Current Issues in Government Procurement

Contracting Out. As mentioned above, there has been a privatization movement since the 1980s in an effort to improve government efficiency. Government procurement professionals have to go along with this general movement. In “Promises and Pitfalls of Contracting for Public Services: The LAWA Case,” Sandra M. Emerson examines government contracting, using the case of Los Angeles World Airports. Historically, public services were provided by public institutions because they were seen as either the best-insulated or most sensitive to public sentiments. Today, the fusing of public responsibility with private expertise draws on research and theory stretching from Taylor’s scientific management to Osborne and Gaebler’s reengineering of government. The author focuses on the historical promises and pitfalls that have come to define public service contracting in the twenty-first century. After describing the experiences of the Los Angeles World Airports (LAWA) with purchase of service contracts, Emerson examines LAWA’s approach in order to provide insight on how managers meet the community’s needs for efficiency and equity by capitalizing on contracting for public services.

Centralization vs. Decentralization in Government Procurement. As explored above, government procurement moved away from unstructured in the early years of the United States and has become a well structured and more centralized system. However, a highly centralized procurement system has been a concern in recent years. This concern is the focus of two articles. In “Centralized vs. Decentralized Purchasing: Current Trends in Governmental Procurement Practices,” Clifford P. McCue and Jack T. Pitzer observe that in the face of growing uneasiness by elected officials, service delivery managers, and citizens about rule-driven processes, inefficient systems, and poor management of resources, purchasing professionals are being challenged to develop new dynamic, adaptable structures. In their article, the current state of decentralization is examined and the roles of purchasing professionals in the purchasing process are presented.
Specifically, the authors attempt to answer the following questions: What changes have governments implemented in policy making, organization structure, personnel recruitment and training, expenditure authorization levels, review and oversight as they decentralize purchasing authority? And, what are the projected trends that will impact the success or failure of the decentralization issues over the next decade?

In “Decentralization of the Purchasing Function in Municipal Government: A National Survey,” Gerasimos A. Gianakis and XiaoHu Wang, taking government procurement decentralization for granted, examine the extent to which purchasing functions have been decentralized in municipal governments, and the organizational factors associated with the decentralization of purchasing. The findings of their national survey of municipal governments in the United States show that decentralization of the responsibility for purchasing has been limited, and that decentralization has occurred is associated with decentralization of budgeting and personnel systems, an organization’s analytical capacity to employ administrative and analytical tools, and an organization’s commitment to and support of enhanced performance and accountability.

Technology. Another current government procurement issue is related to technology. While advanced technology has enhanced government performance, it has changed the environment and techniques of government procurement. In “Procuring Technology: Issues Faced by Public Organizations,” Carole Pettijohn and Yuhua Qiao address some of the critical issues with respect to public procurement of information technology (IT). The authors provide results from surveys of state public information managers and technology vendors who provide services to government to determine if IT procurements have improved in the ten years since the Kelman study on public procurements and suggests opportunities to improve public IT procurements.

Regulations vs. Self-Regulations. Finally, a persistent issue in government procurement is addressed: how to prevent unethical and illegal business practices in government procurement. In “Regulation Vs. Self-Governed Compliance in Government Procurement: The Perceived Impact of DII,” Kenneth Penska and Khi V. Thai assess the Defense Industry Initiative on Business Ethics and Conduct, commonly known as DII, in an attempt to find the perceived impact of this self-governed compliance program. DII was initiated in an deregulation environment in the federal government. Recent
polls find that most Americans believe that their nation’s weapon acquisition system is one of the worst managed activities in the public or private sectors and the defense industry is neither efficient nor honestly managed. Although the defense acquisition process has been the subject of many reform efforts, it is reasonable to ask whether these reform efforts have had any success.

CONCLUSION

Has government procurement become a profession? Evidently, it have all attributes of a true profession, according to Callender, Matthews, Gordon, Zemansky and Sekwat. Similar to all other professions, government procurement dealt with a number of challenges, posed by its changing environment. Recognizing its weaknesses, the government procurement profession has been working very hard to reach a higher level of intellectual respect.

ACKNOWLEDGMENT

The symposium editors wish to thank Jean Ellmore, CPPB, Procurement Analyst, National Institute of Governmental Purchasing, Inc., for devoting her time and effort to review all symposium manuscripts and for her well-thought comments. Before joining NIGP, Ellmore worked 10 years in state government in the areas of procurement and contract administration. She was also certified as a Virginia Contracting Officer (VCO).

NOTES

1. Kelman (1990) defines equity as fair access to bidders or sellers in competing for government business, integrity as reducing the chances for corruption in the procurement process, and economy and efficiency as procuring at the lowest possible price for goods and services of the quality desired.

2. NASPO used to be the National Association of State Purchasing Officers; and in 1998, the term “Purchasing” was replaced by “Procurement.”

3. For more information about regional government procurement regulations and guidelines, see Arrowsmith, 1998.


REFERENCES


