October 16, 2013

Mr. John Amos, Legislative Analyst
Snohomish County
3000 Rockefeller Avenue
Everett, WA 98201

Dear Mr. Amos:

We have completed our performance audit of whether cooperative purchasing is a viable option for Snohomish County. This report contains our detailed analysis and conclusions based on our review.

We wish to express our appreciation to the County Purchasing Division and other personnel we spoke with for their cooperation and assistance during this review.

Sincerely,

Talbot, Korvola & Warwick, LLP
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>i</td>
</tr>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td><strong>Cooperative Purchasing – An Overview</strong></td>
<td>2</td>
</tr>
<tr>
<td>Types of Cooperative Purchasing</td>
<td>2</td>
</tr>
<tr>
<td>Purchasing Cooperatives</td>
<td>3</td>
</tr>
<tr>
<td>Cooperative Purchasing in Washington</td>
<td>4</td>
</tr>
<tr>
<td>- The Legal Environment</td>
<td></td>
</tr>
<tr>
<td>The County’s Current Use of Cooperative Purchasing</td>
<td>5</td>
</tr>
<tr>
<td><strong>Results</strong></td>
<td>7</td>
</tr>
<tr>
<td>National Usage</td>
<td>7</td>
</tr>
<tr>
<td>Washington Governments Participation</td>
<td>9</td>
</tr>
<tr>
<td>Perceived Benefits</td>
<td>9</td>
</tr>
<tr>
<td>Should the County Participate in Cooperative Purchasing</td>
<td>11</td>
</tr>
<tr>
<td><strong>Appendix</strong></td>
<td></td>
</tr>
<tr>
<td>Audit Response</td>
<td></td>
</tr>
</tbody>
</table>
Executive Summary
Executive Summary

Objectives

The Snohomish County Council requested an evaluation of cooperative purchasing to determine:

- the extent to which it is legally authorized in the County;
- the use of cooperative purchasing nationally;
- options currently available to the County; and
- potential benefits and disadvantages to cooperative purchasing.

Cooperative Purchasing Overview

In recent years, cooperative purchasing has become a major approach to procurement. Cooperative purchasing occurs when two or more entities (state, federal, or local governments) coordinate some or all of their purchasing needs. These governments typically have a common need for the same type of commodity. Common items for cooperative purchasing include office supplies, furniture, copiers, laboratory supplies, and fleet vehicles.

Three types of cooperative purchasing currently exist:

- true cooperatives
  Two or more governmental units that combine their resources to procure items.
- piggyback contracts
  A governmental unit using a commodities contract negotiated by another governmental unit.
- third-party aggregators
  Several governmental units join together to procure commodities using their buying power to obtain the best prices.

Cooperative purchasing is currently in use throughout Washington and the United States at all levels of government. Many procurement officers and associations believe cooperative purchasing provides a number of benefits including:

- Lower Costs
- Lower (Shared) Administrative Costs
• Improved Response from Vendors
• Higher Quality Products and Services
• Shared Experience Leading to Better Product Specifications
• Better Compliance with State Statutes on Purchasing
• Convenience
• Utilization of Resources

Many Washington local governments, as well as Snohomish County, participate in some form of cooperative purchasing. The City of Seattle, for example, has entered into over 100 cooperative purchasing agreements with various local agencies and non-profit public purchasing cooperatives.

Results
Cooperative purchasing has been extensively evaluated and discussed by governments, associations, and procurement officials. Many Washington local governments have participated in some form of cooperative purchasing and have achieved positive results.

The County should consider the use of cooperative purchasing – specifically piggybacking through national purchasing cooperatives - as an additional option in its procurement practices. The potential benefits of cooperative purchasing have been well documented with most focusing on the method’s ability to bring together many potential buyers to effectively use limited resources, obtain lower pricing, and ensure vendor service.

However, cooperative purchasing also has its challenges. To determine the actual benefits of cooperative purchasing, Snohomish County should carefully analyze the potential in comparison to current contracts before considering the use of the practice. Although cooperative purchasing is convenient and may save time, it is not necessarily a good substitute for the work it takes to understand whether the County is getting the best value available in the marketplace or is meeting the desires of County residents such as local business participation.
The County should consider the use of cooperative purchasing as an additional means to procure goods. To ensure the perceived benefits of cooperative purchasing materialize, the County should also develop an evaluation process that will determine whether a cooperative contract from another jurisdiction is more advantageous than a competitive bid contract or a negotiated contract. The determination of whether the arrangement provides *best value* in terms of price and quality as well as ensuring that locally owned vendors are not being excluded from the process should be a primary criteria. A matrix approach that includes the following can assist in this evaluation:

- Review of the cooperative contract for conformance with state or local procurement laws and best practices.
- Analysis of the product or service specifications, price, terms, and conditions and other factors to ensure that the cooperative contract produces the best value.
- Comparing contracts if there are multiple contracts available for the required product or service.
- When buying large quantities, verification of whether the contract permits negotiation of additional price concessions.
- If a purchase agreement is required, discussion with legal counsel to determine whether the agreement is acceptable.
- A recommendation to use or not use the cooperative contract.
Introduction
Introduction

Objectives

Our evaluation of cooperative purchasing in Snohomish County focused on determining:

- the extent to which cooperative purchasing is legally authorized in the County;
- the use of cooperative purchasing nationally;
- cooperative purchasing options currently available to the County; and
- potential benefits and disadvantages to cooperative purchasing.

In order to achieve the defined objectives, our review team:

- interviewed Purchasing Division personnel, Prosecuting Attorney personnel, and individuals from other government departments,
- reviewed applicable statutes, rules, and regulations including RCW’s and Snohomish County Code,
- researched and assessed national publications, association information, and other available reports,
- reviewed current Snohomish County procurement statistics, and
- obtained and reviewed other applicable information.

We analyzed and reviewed County information available for 2012 and the first six months of 2013. Quantitative and qualitative analyses were undertaken as appropriate to understand issues being addressed. Information provided during interviews became one source for observations noted in this report. The information gained from these individuals and from other corroborative sources provided insight into the issues, needs, and expectations surrounding the audit and was invaluable in reaching the conclusions and recommendations presented within this report. However, not all of the issues raised by County employees fell within the scope of this project.

After our preliminary review and analysis of information, we provided all initial findings to the appropriate County representatives and finalized our findings and conclusions based on specific feedback. All information contained within the report was reviewed with applicable County personnel for accuracy and reasonableness.
Cooperative Purchasing – An Overview
Cooperative Purchasing – An Overview

Public purchasing policies have been enacted to provide a system that ensures the government entity is receiving best value, provides vendors an equitable chance to participate, ensures efficient delivery, and promotes public confidence in the integrity of the process. Procurement functions within governments are designed to ensure these policies are met. However, as purchasing requirements have become more complex, workloads have increased, and budgets and resources have declined, many governments have looked to other means to efficiently and effectively purchase goods and services.

In recent years, cooperative purchasing has become a major approach to procurement. Cooperative purchasing occurs when two or more entities (state, federal, or local governments) coordinate some or all of their purchasing needs. These governments typically have a common need for the same type of commodity. Common items for cooperative purchasing include office supplies, furniture, copiers, laboratory supplies, and fleet vehicles.

Types of Cooperative Purchasing

The National Association of State Procurement Officials (NASPO), the primary organization representing state procurement, recognizes three types of cooperative purchasing:

- true cooperatives,
- piggyback contracts, and
- third-party aggregators

True Cooperatives

A true cooperative consists of two or more governmental units that combine their resources to procure items. In true cooperatives, the participating jurisdictions work together to develop specifications for commodity items that meet their needs. Each participant, regardless of its size or location,
may assist in the development of specifications. Through true cooperatives, participants can work together to meet a common need – the economical delivery of commodities.

**Piggybacking**

Under piggybacking arrangements, a governmental unit may make use of a commodities contract negotiated by another governmental unit (assuming all state and local procurement laws were met in the original solicitation). Under these agreements, contractors selling commodities agree to allow other governments to procure them at the same price.

**3rd Party Aggregators**

Several governmental units join together to procure commodities using their buying power to obtain the best prices. This process is usually managed by an independent for-profit or not-for-profit manager that enters into contracts for the benefit of the members.

**Purchasing Cooperatives**

A number of purchasing cooperatives currently exist, including:

- National IPA
- NJPA (National Joint Powers Alliance)
- TCPN (The Cooperative Purchasing Network)
- U.S. Communities
- WSCA (Western States Cooperative Alliance)
- Baltimore Regional Cooperative Purchasing
- HGAC Buy & HGAC Energy
- KCDA (King County Directors Association) – Washington
- KCRPC (Kansas City Regional Purchasing Cooperative)
- AEPA (Association of Educational Purchasing Agencies)
- E&I (Educational & Institutional Cooperative Program)
- MHEC (Massachusetts Higher Education Consortium)
- WSIPC (Washington School Information Processing Cooperative)

Example:
United States General Services Administration’s multiple award purchasing contracts.
Cooperative Purchasing in Washington – The Legal Environment

The Inter-Local Agreement Act was established in 1967 (codified as Chapter 39.34 RCW) to allow local governments to “make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, population and other factors influencing the needs and development of local communities economic.” The Act allows any two or more public agencies to enter into joint agreements. Public agencies must specify the organization of any separate legal entity created by an inter-local agreement. The entity may include a nonprofit organization whose membership is limited to the participating public agencies or partnerships comprised of participating public agencies.

Specifically, cooperative purchasing is allowed through:

- RCW 39.34.030 - Joint powers - Agreements for joint or cooperative action, requisites, effect on responsibilities of component agencies - Financing of joint projects.

This section details the requirements associated with entering into cooperative purchasing agreements and essentially allows any Washington public agency (state or local) to jointly act with any public agency of any other state or of the United States to the extent that laws of each permit such joint exercise or enjoyment. Additionally, the section allows any two or more public agencies to enter into agreements with one another for joint or cooperative action as long as appropriate action by ordinance or resolution occurs.

Effective January 1, 2013, the state also enacted RCW 39.26.060 - Cooperative Purchasing. This section allows state departments to participate in, sponsor, conduct, or administer a cooperative purchasing agreement for the procurement of any goods or services with one or more states, state agencies, local governments, local government agencies, federal agencies, or tribes located in the state, in accordance with an agreement entered into between the
participants. The cooperative purchasing may include, but is not limited to, joint or multiparty contracts between the entities, and master contracts or convenience contracts that are made available to other public agencies. All cooperative purchasing must be through contracts awarded through a competitive solicitation process. Any agreement entered into by a local government must follow RCW 39.26.060.

Snohomish County Code (3.04.220 Cooperative Purchases) also permits the county executive to negotiate with other units of governments with respect to cooperative purchasing plans and interlocal agreements to purchase when the best interests of the county would be served. The section also requires that each of the participating entities shall be separately invoiced by the vendors for purchases made.

The Washington State Auditor’s Office, through its audits of local governments, also routinely reviews compliance with applicable state procurement requirements. The Office has not identified any specific concerns with local governments’ use of cooperative purchase agreements.

**The County’s Current Use of Cooperative Purchasing**

Snohomish County currently participates in some cooperative purchasing through the use of piggyback arrangements with other public agencies (Seattle, King County, Everett, etc.). Contracts available through purchasing cooperatives (National IPA, NJPA, TCPN, U.S. Communities, WSCA, etc.) are not presently authorized.

To enter into a cooperative purchasing agreement, an intergovernmental cooperative purchasing agreement (ICPA) is required to be executed between the County and the public agency. Currently, ICPA’s have been established with the State of Washington, Pierce County and the City of Seattle. King County and the cities of Everett, Bellevue, Yakima, Tacoma, and Bellingham are in process. Additionally, the County can purchase specific items through the
U.S. General Services Administration (GSA). These purchases however, are limited to information technology and security and law enforcement goods.

The County has continuously purchased items through the State of Washington’s cooperative contracts. However, as of July 1, 2013, the State (through its Department of Enterprise Services (DES)) added a quarterly management fee of .74 percent to all state contract vendors. The change is intended to eliminate administrative effort on behalf of master state contract users, including local government and qualifying non-profit entities.

Each quarter, contract vendors will be required to submit quarterly sales reports to DES. The .74 percent management fee will be applied to the quarterly sales and DES will invoice the contractors directly. Although vendors are directly responsible for payment of the management fee, it is anticipated that these costs will be passed on to state contract users. Snohomish County’s Purchasing Division estimates that the management could add over $238,000 to the cost of fuel purchases.\(^1\)

\(^1\) The County is currently working with Pierce and King Counties to develop a joint fuel contract
Results

National Usage

Cooperative purchasing is currently in use throughout the United States at all levels of government. Most literature and research has indicated that the approach has been successful in saving time and money for state and local governments. Many procurement officers and associations\(^2\) believe cooperative purchasing provides a number of benefits including:

1. **Lower Costs**
   By combining orders and standardizing products and services, quantities purchased will increase, resulting in the benefits derived from combined economies of scale of multiple organizations.

2. **Lower (Shared) Administrative Costs**
   With one procurement process and one contract serving multiple governments, administrative costs are reduced as preliminary work has been done. Administrative efforts and costs are spread across multiple governments.

3. **Improved Response from Vendors**
   Vendors should realize that they are bidding on a larger order and will be encouraged to compete for the purchase. Vendors from an entire area should be attracted rather than from just one locality. Greater competition should lead to lower bids.

4. **Higher Quality Products and Services**
   By using specialized specification writers, procurement professionals and technical evaluation committee members, governments are able to produce better contracts for higher quality products and services.

5. **Shared Experience Leading to Better Product Specifications**
   Combining the knowledge of all members of the cooperative effort should result in developing a much better specification for goods and services purchased. It will usually turn out that an acceptable specification will already exist between the parties.

6. **Better Compliance with State Statutes on Purchasing**
   Since most purchases will be subject to competitive bids, they will be in compliance with the statutes on bidding. There should also be a heightened awareness of legal requirements.

7. **Convenience**
   Instead of seeking quotes, bids or proposals, customers simply select products and services from the cooperative contract catalog, saving considerable time and effort.

8. **Utilization of Resources**
   Allow governments to better utilize procurement resources for other contracts and tasks.

---

\(^2\) Including: National Association of State Procurement Officials (NASPO); National Institute of Government Purchasing (NIGP); National Association of Counties (NACo), National League of Cities (NLC), U.S. Conference of Mayors
In 2011, *Government Procurement (Go Pro)*\(^3\) magazine conducted an online survey of cities, counties, school districts, universities, special districts, and state agencies regarding cooperative purchasing. The results of the 168 respondents identified the popularity of cooperative purchasing as a component of their procurement strategy - 95.2 percent of respondents currently use cooperative purchasing primarily for office supplies, electronics equipment, transportation equipment, and furniture. Half of the survey respondents project their entity’s use of cooperative contracts will increase in the next three years. Survey respondents indicated that the greatest benefit of cooperative purchasing included time savings (89.4%), expense savings (79.5%), and program rebates (35.4%).

Many examples exist of governmental entities that have had success with cooperative purchasing. Local governments in New Jersey have participated in cooperative purchasing since 1971 when the state allowed each to use state bid contracts. In 1996, the state legislature authorized the ability to enter into cooperative purchasing agreements that allowed participating states or political subdivisions to standardize and combine their purchasing processes. In 2005, the legislature authorized the use of other states’ and national cooperative contracts that utilized a competitive bidding process and would be beneficial to all state governmental entities. The state’s Division of Local Government Services has created an extensive cooperative purchasing guide for its local officials that describes the different types of cooperative purchasing systems and encourages local governments to consider the benefits of participating. The guide states: “When local governments put aside provincial interests in exchange for the broader benefits to be achieved through Cooperative Purchasing, they can secure the provision and performance of goods and services at a lower cost. Cooperative Purchasing has demonstrated a strong ability to serve as an effective tool to assist local officials save taxpayer dollars. Cooperative Purchasing represents viable alternatives to the conventional “go-it-alone” bidding process.”\(^4\)

New York’s Westchester County developed a Shared Services Initiative in 2009 to help governments, school districts, and other districts find ways to save taxpayer dollars. The county’s cooperative

---

\(^3\) Cooperative Purchasing Today, American City & County, Go Pro research quantifies usefulness of coop agreements, projects usage to expand, Aug. 1, 2011

\(^4\) Cooperative purchasing: A guide for local officials (fifth edition), New Jersey Department of Community Affairs
purchasing program states: “Sharing our services in government purchasing is about organizing and working together to produce true cooperative contracts to save time and money. Westchester County's Cooperative Purchasing program is a fiscally responsible approach for local governments, school districts, and fire districts to realize savings for themselves as well as the county taxpayers.” The county hosts a website that posts more than 100 contracts that are available for other political subdivisions to utilize.

**Washington Governments Participation**

Many Washington local governments, as well as Snohomish County, participate in some form of cooperative purchasing including the following in the local area:

<table>
<thead>
<tr>
<th>Counties</th>
<th>Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>King</td>
<td>Auburn</td>
</tr>
<tr>
<td>Kitsap</td>
<td>Bellevue</td>
</tr>
<tr>
<td>Pierce</td>
<td>Bothell</td>
</tr>
<tr>
<td>Skagit</td>
<td>Edmonds</td>
</tr>
<tr>
<td>Thurston</td>
<td>Everett</td>
</tr>
<tr>
<td></td>
<td>Mukilteo</td>
</tr>
<tr>
<td></td>
<td>Federal Way</td>
</tr>
<tr>
<td></td>
<td>Seattle</td>
</tr>
</tbody>
</table>

The City of Seattle has entered into over 100 cooperative purchasing agreements with various local agencies and non-profit public purchasing cooperatives to promote government cooperation and to maximize the efficiency and effectiveness of shared public bid and contract processes. The City views cooperative purchasing, purchasing cooperatives, state and federal contracts, and other resources as “our future in purchasing, and we need to build on these opportunities as we are able within the limits of the instructions and codes we are given.”

**Perceived Benefits**

As mentioned previously, perceived benefits associated with cooperative purchasing are varied. Although many benefits are difficult to determine, the financial impact is quantifiable. For example, King County recently conducted an analysis comparing its own solicited office supply contract, which was up for renewal, against national cooperative office supply contracts. In May 2013, the County requested from cooperative organization vendors pricing information for 245 high usage office supply items

---

5 Interlocal Cooperatives Presentation, Nancy Locke, Seattle Purchasing Manager
purchased over a six month period. Ninety percent (90%) of the high usage items were purchased on Purchase Cards (P-Card). Vendors were asked to submit pricing with and without P-Card utilization.

Office Max and Staples responded with the following pricing information:

<table>
<thead>
<tr>
<th>Office Max</th>
<th>Staples</th>
<th>Keeney’s(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td>$122,378.42</td>
<td>$154,526.93</td>
</tr>
<tr>
<td>Difference</td>
<td>$37,621.58</td>
<td>$5,473.07</td>
</tr>
</tbody>
</table>

(1) Current Vendor  
(2) Pricing was based on an existing “America Saves” contract and P-Card pricing was the same  
(3) Pricing represented both P-Card and Non-P-Card usage.  
(4) Pricing based on existing contract with P-card pricing revision

The County currently spends $1.5 - 2 million annually for office supplies and the annual spend for high usage items is $322,000. Using the above analysis, the County believes there could be a potential for significant savings to using cooperative contracts for office supplies.

To determine if Snohomish County could benefit from cooperative purchasing, office supply purchases from the County’s current office supply contract with Staples was compared to stated pricing from the National Joint Powers Association (NJPA) Staples contract:

<table>
<thead>
<tr>
<th>Category</th>
<th>Current Pricing</th>
<th>NJPA Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakroom</td>
<td>$3,356.15</td>
<td>$3,179.15</td>
</tr>
<tr>
<td>Business Machines</td>
<td>$18,783.59</td>
<td>$17,593.87</td>
</tr>
<tr>
<td>Furniture</td>
<td>$8,846.11</td>
<td>$8,100.51</td>
</tr>
<tr>
<td>Ink/Toner-OEM</td>
<td>$103,314.22</td>
<td>$92,566.43</td>
</tr>
<tr>
<td>Ink/Toner-Remanufactured</td>
<td>$16,801.65</td>
<td>$17,145.26</td>
</tr>
<tr>
<td>Janitorial/Sanitation</td>
<td>$23,789.44</td>
<td>$18,671.75</td>
</tr>
<tr>
<td>Misc.</td>
<td>$12,193.17</td>
<td>$12,819.44</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>$198,482.91</td>
<td>$194,908.81</td>
</tr>
<tr>
<td>Paper</td>
<td>$168,884.98</td>
<td>$158,650.68</td>
</tr>
<tr>
<td>Technology</td>
<td>$32,547.44</td>
<td>$27,034.67</td>
</tr>
<tr>
<td>Totals</td>
<td>$586,999.66</td>
<td>$550,670.57</td>
</tr>
<tr>
<td>Difference</td>
<td>$36,329.09</td>
<td>$22,026.82</td>
</tr>
<tr>
<td>Rebate (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total NJPA Savings</td>
<td>$58,355.91</td>
<td></td>
</tr>
</tbody>
</table>

(1) NJPA offers a 4% NJPA volume rebate for sales of $500,000.01 - $750,000.
Additional perceived benefits of cooperative purchasing include lower administrative costs, improved timeliness, and better use of resources. The County’s Purchasing Division believes the use of cooperative purchasing will make available additional resources to focus on conducting other solicitations.

Should the County Participate in Cooperative Purchasing?
The County should consider the use of cooperative purchasing – specifically piggybacking through national purchasing cooperatives - as an additional option in its procurement practices. Cooperative purchasing has been extensively evaluated and discussed by governments, associations, and procurement officials. Many articles have been written about the potential benefits of cooperative purchasing. Most of these commentaries focus on the method’s ability to bring together many potential buyers to effectively use limited resources, obtain lower pricing, and ensure vendor service. Other Washington local governments have participated in some form of cooperative purchasing and have achieved positive results.

However, cooperative purchasing also has its challenges. Although the Government Procurement (Go Pro) magazine’s survey respondents were overwhelmingly in favor of cooperative purchasing, some did indicate challenges including:

- Pricing ("pricing not aggressive enough").
- Not addressing sustainability or minority-owned, women-owned, or small business requirements.
- Difficulty in focused desire to purchase locally.

To determine actual benefits of cooperative purchasing, Snohomish County should carefully analyze the potential in comparison to current contracts before considering the use of the practice. Although cooperative purchasing is convenient and may save time, it is not necessarily a good substitute for the work it takes to actually know the County is getting the best value available in the marketplace or is meeting the desires of County residents such as local business participation.
**Recommendation:**

The County should:
- consider the use of cooperative purchasing as an additional means to procure goods.
- develop a systematic process for evaluating the benefits of cooperative purchase agreements to ensure best value.

To ensure the perceived benefits of cooperative purchasing materialize, the County should develop an evaluation process that will determine whether a cooperative contract from another jurisdiction is more advantageous than a competitive bid contract or a negotiated contract. The determination of whether the arrangement provides *best value* in terms of price and quality as well as ensuring that locally owned vendors are not being excluded from the process should primary criteria. A matrix approach can assist in this evaluation. The matrix should include:

- Review of the cooperative contract for conformance with state or local procurement laws and best practices.
  - The bidding process (from solicitation to award) utilized by the lead government of the cooperative contract being considered must meet the standards that are established by Washington RCW’s and County Code.

- Analysis of the product or service specifications, price, terms, and conditions and other factors to ensure that the cooperative contract produces the best value.
  - Caution should be exercised in using specifications defined by another government. In most cases, cooperative purchasing is best suited for generic-type products or items.

  Items purchased through a cooperative purchasing agreement are not always cheaper than what can be purchased by the County directly. Price differentials are dependent on numerous business considerations such as location, inventory levels, timing of delivery, etc. The quality or characteristics of the good or service may not necessarily be what is desired.

  Consideration should be given to benefits (as well as any disadvantages) of choosing local suppliers. Objective and relevant criteria should be employed to determine the most advantageous supply source. Value, close proximity of vendors, local knowledge, and the potential for shorter delivery times should be considered.

---

6 Source: NASPO
- Comparing contracts if there are multiple contracts available for the required product or service.
  For those cooperative contracts that meet all legal requirements, the County should compare each contract’s specifications, pricing, and terms and conditions to determine the best fit.

- When buying large quantities, verification of whether the contract permits negotiation of additional price concessions.

- If a purchase agreement is required, discussion with legal counsel to determine whether the agreement is acceptable.

- A recommendation to use or not use the cooperative contract.
November 21, 2013

Mr. Brad Rafish  
Talbot, Korvola & Warwick, LLP  
4800 Meadows Road, Suite 200  
Lake Oswego, Oregon 97035-4293

Dear Mr. Rafish,

The Purchasing Division of Snohomish County Finance (Division) is pleased to receive the report of Talbot, Korvola & Warwick (TKW), LLP. TKW was awarded the contract to serve as the Performance Auditor for Snohomish County in 2012. In July of this year, the Purchasing Division was recommended and approved for a pilot audit under the first phase of the contract. The auditor’s report describes cooperative purchasing and finds that it is a viable option for Snohomish County. The Division concurs with this finding. We agree that Snohomish County should consider the use of cooperative purchasing, specifically piggybacking through national purchasing cooperatives.

The report recommends the County consider meeting the desires of County residents such as local business participation when using cooperative contracts. Many national cooperative contracts have local retail establishments within Snohomish County. While the corporate businesses may not be local, the tax revenue generated from using local retail establishments benefits the Snohomish County area. Other national cooperative contracts have retail establishments in the Puget Sound area, while a handful of cooperative contracts have establishments outside of the State.

The report further recommends the Division establish processes for evaluation of cooperative purchasing contracts. The Division has developed procedures, including checklists, and has provided training on cooperative contract use to county departments. While these procedures are new at the County, they are standard procedures used by other Washington State agencies when considering the use of cooperative agreements. The Division views cooperative purchasing contracts as an additional option the departments may consider in their procurement decisions.

The report makes thoughtful and constructive suggestions for consideration and evaluation of contracts to provide assurance the County is getting the best value available in the marketplace. We agree that using best value evaluation is a sound practice. There are efficiencies and staff savings to be gained in using cooperative purchasing agreements; however, we do not believe that item cost alone is the best representation of value. While item cost savings represent a small segment of the total cost process, freeing up staff resources to be reallocated to other
priority tasks and goals is a soft cost that is hard to measure but cannot be overlooked. In the end, focusing only on the item costs of best value may result in missing the true cost picture.

Cooperative purchasing is about making the solicitation and award process easier and more efficient. In recent years, budgets have been stretched to the limit, and it is essential that we look for innovative ways to utilize taxpayer dollars efficiently and effectively and do more with less. Cooperative purchasing is a very logical and practical way to do this. The Purchasing Division and county departments still have to do their homework and ensure that they are informed and taking advantage of the most competitive agreement available to them. When used appropriately, cooperative purchasing contracts have the potential to save significant staff time and money resulting in a best overall value.

The Division thanks the TKW staff who were assigned to the performance audit. Their professionalism and receptiveness to the Division's rational regarding the use of cooperative purchasing at the County is greatly appreciated. We are pleased to have the opportunity to respond to the performance audit findings and look forward to continued productive working relationships with the Snohomish County Council and Prosecuting Attorney's Office to implement the use of cooperative purchasing agreements within the County.

Sincerely

Cathy Robinson, CPPO, CPPB
Purchasing Manager