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County Purchasing vs. Private Sector Purchasing

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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The procurement of goods and services is a key function in any county government organization. Virtually everything a county department does depends, to a greater or lesser degree, upon "things." Every county department uses supplies, equipment, and furniture. Every employee gets a paycheck, someone must procure blank checks, the computer system, the toner and paper for the printer, etc. Highway departments need vehicles and equipment, maintenance departments need building materials and janitorial supplies, and the list goes on and on. In short, the purchasing function, directly or indirectly, touches every aspect of county operations.

Citizens unfamiliar to the county purchasing laws and requirements sometimes mistakenly believe that county purchasing is no different from consumer shopping. Actually, however, many purchases made by county governments are of a complex nature (e.g., numerous purchasing laws, complex specifications, etc.), and must be made in accordance with applicable laws or private acts. County officials, department heads, and employees cannot simply go out and buy whatever they want from whomever they please without potentially violating a law or a county purchasing policy.

County purchasing is also different from purchasing in the private sector. While some of the procurement techniques are fundamentally the same for both (a county with a centralized purchasing system is very similar to private sector purchasing), the significant difference is that public sector purchases are made with taxpayer dollars, not individual profits.¹ Thus, county procurement is subject to tighter regulations, more intensive scrutiny, and a greater degree of accountability than private sector purchasing. Here are some similarities and differences between the private sector purchasing and county purchasing:

Similarities

- Counties and private sector organizations attempt to obtain the best possible price for the goods and services at the desired quality level that meets the organization's needs.
- Counties and private sector organizations strive to make sure there is a continuing supply for goods and services.
- Counties and private sector organizations seek to have goods and services available where and when they are needed.
- Counties and private sector organizations adhere to high ethical standards for those involved in the purchasing process.
- Many of the same fundamental purchasing principles and techniques are followed; e.g., inventory and warehouse management, transportation of goods, cost and service basis of award, etc.
- Many counties and private sector organizations adhere to professional training for their purchasing personnel.

Differences

- Purchases by county governments are made from taxpayer dollars instead of corporate or individual profits.
- County purchasing records are open records subject to public access.
- The process of purchasing in county government is structured, and is subject to applicable general laws, general laws of local application, private acts, and local purchasing policies.
- There is a statutory dollar threshold requirement for formal sealed bids/proposals for county governments.
- County governments are required to publicly advertise for formal bids exceeding the dollar threshold requirement.
- Sealed bids and proposals exceeding the dollar threshold limit require a public bid opening.
- Responsible bidders must be given fair opportunity to compete for the county's business.

¹Larry N. Wellman, CPPO, *Centralization of the Procurement Function*, NIGP Technical Bulletin, 1.

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