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# What is Procurement in the Public Sector?

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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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# What is Procurement in the Public Sector?

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Procurement in the county is a *process* through which offices acquire the goods and services needed to perform their specific tasks. However, county procurement can only be conducted in ways that are specifically allowed by law.<sup>1</sup>

The terms “purchasing” and “procurement” are often used interchangeably. Nevertheless, “purchasing” is only one stage of procurement. The *stages of procurement* are

A. Planning and Scheduling—Good planning ensures that goods and services are delivered timely to meet operational needs. County governments should plan and schedule procurement activities to conform to budgetary objectives.

B. Source Selection (Purchasing)—The process through which solicitations are issued, advertisements run, offers are made, contracts awarded, and goods and services received.<sup>2</sup> Patricia C. Watt in “*An Elected Official’s Guide to Procurement*”, lists the methods of source selection (purchasing) as:

1. Competitive Sealed Bids—In this method the government issues an invitation to/for bids (ITB, IFB). These documents usually include a standard form on which vendors respond by filling out their bid which is the offer to provide the requested goods or services for a flat price or fixed unit cost. Bids are submitted sealed, and opened in public at a predetermined time. The award is made to the vendor submitting the lowest bid assuming the vendor is responsive to the solicitation and is made by a responsive bidder.<sup>3</sup> Competitive sealed bids are the preferred method for purchases that exceed the statutory small purchase limit thresholds.<sup>4</sup> Competitive sealed bids are generally used when the following conditions are met:

- Clear specifications are available
- The item or service is available from more than one source
- There are reproducible test methods
- An award can be made to the bidder who meets the requirements of the solicitation and has submitted the lowest price.<sup>5</sup>

2. Competitive Sealed Proposals—The competitive sealed proposal method is used for goods and services above the small purchase threshold where the specifications cannot be developed so that they are sufficiently able to make a selection solely based on price. In the competitive sealed proposal process, the county government issues a request for proposal (RFP) describing, as best it can, the needs of the county with regard to the goods and/or services to be purchased and invites interested vendors to make proposals. A “proposal” is an offer by a vendor to provide the requested goods or services as he/she understands and recommends it at a suggested price or unit cost. Proposals are evaluated according to the criteria described in the RFP. The award is made to the proposal that is most favorable to the government considering price and the other evaluation criteria.<sup>6</sup>

3. Informal Quotes — Informal quotes are issued to a minimum number of vendors who then submit quotes (prices). A “quote” is less formal than a bid, and may be verbal. Informal quotes are usually done by non-advertised mail, or telephone, faxes, or by e-mail for small dollar purchases as set by the county’s policy and procedures.<sup>7</sup> The award is given to the vendor who provides the lowest quote for the specified item. Informal quotes should be fully documented.

C. Contract Administration—The process of ensuring the terms of the purchase agreement are enforced, goods and services delivered satisfactorily, and the bills are paid.<sup>9</sup>

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<sup>1</sup> *Welcome to County Procurement*, Texas Purchasing Association, 4, January 2004, 4.

<sup>2</sup> Patricia C. Watt, *An Elected Official’s Guide to Procurement*, (Government Finance Officers Association), 1.

<sup>3</sup> *ibid*, 35.

<sup>4</sup> *ibid*, 35.

<sup>5</sup>National Institute of Governmental Purchasing, *Welcome to Public Procurement*, (Herndon, VA: 2001), 17.

<sup>6</sup>Watt, 35. *See also, Waste Services of Decatur, LLC v. County of Lawrence*, 2012 WL 3329621 (Tenn. Ct. App. 2012), noting that an RFP is generally appropriate, for example, when the public authority is incapable of completely defining the scope of work, when the service may be provided in different ways, or when qualifications and quality are considered primary over cost.

<sup>7</sup>National Institute of Governmental Purchasing, *General Public Purchasing*, (Falls Church, VA: 1991), 4-13.

<sup>8</sup>Watt, 36.

<sup>9</sup>*ibid*, 1.

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