



## **Chapter X**

# **E-Procurement: State Government Learns from the Private Sector**

Mark K. Krysiak  
Maryland Department of General Services, USA

Carla Tucker  
eMaryland Marketplace, USA

David Spitzer  
eMaryland Marketplace, USA

Kevin Holland  
eMaryland Marketplace, USA

## **ABSTRACT**

*This essay is a careful examination of the effect of leveraging and integrating the power of the Internet as a tool in the total procurement process and its relationship to the supply and demand for goods and services. This work will be of interest to both informed and uninformed readers who wish to broaden their understanding and the effect of e-Procurement within the process of government purchasing. The chapter begins with a discussion of legacy systems and past practice purchasing methods. This is followed by sections on public sector versus private sector business practices, business models for e-Procurement, culture changes, legislative changes allowing for adoption of e-Procurement and advisory committees. There are also sections addressing the benefits of e-Procurement versus paper-based procurement, vendor retention and training. A case study of eMaryland Marketplace, the State of Maryland's e-Procurement Portal, is discussed with particular attention given to theoretical use versus "real life"*

*experience associated with implementing an e-Procurement system. Statistics are cited comparing savings achieved in user efficiency and direct cost between e-Procurement versus “paper” purchasing methods. A discussion is presented outlining added modules to the initial eMaryland Marketplace program. This discussion will include the future implementation of regular and reverse-auctions conducted online through the eMaryland Marketplace portal. In addition, a discussion ensues on how the capital project solicitations were brought onto eMaryland Marketplace. These include all construction, architectural, and engineering contracts let through the eMaryland Marketplace. Finally, recommendations are made for other state or local jurisdictions that are considering implementation of e-Procurement.*

## INTRODUCTION

There is a major move throughout government to streamline the procurement process. Most are incorporating technology into the equation with the expectation of saving time and reducing costs so that more can be accomplished with the same amount of funding. The Federal government led the initiative and began moving its services to the Internet long ago. Maryland followed suit in moving more of its services to the Internet. A major part of providing services online is Maryland’s *eMaryland Marketplace* Procurement System (*eMM*). Maryland was the first State to implement a functional, full spectrum, e-Procurement system on the Internet, comprised of an interactive bid module and an e-Catalog module for contract implementation. *eMM* came out of the pilot period and became the procurement system of choice on March 8, 2000. The intent of this essay is to explain our former procurement system and its methods and compare it to our chosen method for current and future procurements.

## LEGACY SYSTEMS

Maryland, like many other states, had a computerized procurement and finance system in place prior to e-commerce. In Maryland’s case, that system is the Financial and Management Information System (FMIS), a software system for fixed asset accounting, tracking, and management. Within FMIS, Maryland uses the Advance Purchasing and Inventory Control System (ADPICS) which ties into R\*STARS, the accounting system. ADPICS has subsystems that allow for requisition processing, bid processing, purchase orders and contracts, receiving, inventory control, and payables processing. Though it fulfills its stated objectives, ADPICS has proven to be cumbersome and not user-friendly.

## PAST PRACTICE PROCUREMENT

Government, though often touted to be a leader in promoting new programs, has been slow to incorporate new technology in the workplace. Past practice, especially in procurement of goods and services, relied heavily upon paper-based transactions. The process started when prospective suppliers would fill out and submit a Bidder’s Application as a paper document to the Department of General Services (DGS), Office of

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