

Contact: Andrea Anania

CONFLICT OF INTEREST VENDORS

Action Requested: Consider approval of the following vendors with a potential conflict of interest:

UNIVERSITY OF IOWA

- ◆ AAA Mechanical Contractors, Inc.
- ◆ Change Management Coaching
- ◆ Children's Dental Center of Southeast Iowa
- ◆ Smiles In Motion

IOWA STATE UNIVERSITY

- ◆ Michael Wesner Software Development
- ◆ Substance Architecture Interiors Design
- ◆ WZ Design

Executive Summary: Vendors at the Regent institutions and the Board Office with a potential conflict of interest are required by statute to be approved by the Board of Regents.

AAA Mechanical Contractors, Inc. is a general contractor specializing in plumbing, heating, ventilation, and air conditioning construction. Jim Koeppel Jr. is the Vice President and holds a 16% ownership interest in the company, which is located in Coralville, Iowa.

Mr. Koeppel's wife, Julie Koeppel, is employed as a full-time Research Assistant III in the Department of Psychiatry, Carver College of Medicine, at the University of Iowa Hospitals and Clinics.

The University reports that:

- ◆ Payments were made to this company totaling \$2,625,723 during FY 2006 (to date); \$1,702,134 in FY 2005; and \$1,411,449 in FY 2004. These payments were discovered through the strengthened conflict of interest review process; the majority of them were authorized by the Facilities Management Department; and Mrs. Koeppel did not participate in the order or payment decisions and approvals; and
- ◆ Julie Koeppel does not have any authority to issue purchase orders or approve payments for her department, nor has she been issued a procurement card.

Change Management Coaching is a consulting business. Maggie Mowery is the sole proprietor of the business, which is located in Iowa City, Iowa. Her husband, Glen Mowery, is employed full time as the Utilities Director in the Utilities and Energy Management Division, Facilities Management Department, at the University of Iowa.

The University reports that:

- ◆ Payments have been made to this company totaling \$6,700 during FY 2006 (to date); none were authorized by the Facilities Management Department. These payments were discovered through the strengthened conflict of interest review process;
- ◆ Glen Mowery has the authority to issue purchase orders and to approve payments for his department. Mr. Mowery will recuse himself from discussions or decision making with regard to Change Management Coaching;
- ◆ Glen Mowery has been issued a procurement card. All purchases made on the card are reviewed and approved by his supervisor, Don Guckert; and
- ◆ The Utilities and Energy Management Division in the Facilities Management Department will not purchase goods or services from Change Management Coaching.

Children's Dental Center of Southeast Iowa is a private practice that provides pediatric dentistry services. Dr. Michael Mathews owns the practice, which is located in West Burlington, Iowa. Dr. Mathews is employed for 12 days per year as an Adjunct Assistant Professor in the Pediatric Dentistry Department, College of Dentistry, at the University of Iowa.

Dr. Mathews reports that:

- ◆ The Department of Pediatric Dentistry has a program that refers special needs patients to local pediatric dentists and pays for necessary dental treatment;
- ◆ He is the only pediatric dentist in that area of the state;
- ◆ The program coordinator has asked that he accept referrals and provide the treatment; and
- ◆ This work is not connected with his position as an Adjunct Assistant Professor teaching junior dental students.

The University reports that:

- ◆ Payments have been made to this company in three previous fiscal years, none of which exceeded conflict of interest purchase policy thresholds. These payments were discovered through the strengthened conflict of interest review process; and
- ◆ Dr. Mathews does not have any authority to issue purchase orders or to approve payments for his department, nor has he been issued a procurement card.

Smiles In Motion is a private practice that provides pediatric dentistry services. Dr. Michael Stufflebeam owns the practice, which is located in Marshalltown, Iowa. Dr. Stufflebeam is employed for 12 days per year as an Adjunct Assistant Professor in the Pediatric Dentistry Department, College of Dentistry, at the University of Iowa.

Dr. Stufflebeam reports that:

- ◆ The Department of Pediatric Dentistry has a program that refers special needs patients to local pediatric dentists and pays for necessary dental treatment;
- ◆ He is the only pediatric dentist in the Marshalltown area;
- ◆ The program coordinator has asked that he accept referrals and provide the treatment; and
- ◆ This work is not connected with his position as an Adjunct Assistant Professor teaching junior dental students.

The University reports that:

- ◆ Payments have been made to this company totaling \$7,025 during FY 2006; \$4,506 in FY 2005; and \$1,125 in FY 2004. These payments were discovered through the strengthened conflict of interest review process; and
- ◆ Dr. Stufflebeam does not have any authority to issue purchase orders or to approve payments for his department, nor has he been issued a procurement card.

Michael Wesner Software Development provides software development services. Michael Wesner is the sole owner of the business, which is located in Ames, Iowa. Mr. Wesner's wife, Kristin Wesner, is employed as a Graduate Student in the Department of Psychology, College of Liberal Arts and Sciences, at Iowa State University.

The University reports that:

- ◆ Kristin Wesner will not participate in any evaluation or award decisions relative to Michael Wesner Software Development providing goods or services to ISU, nor has she been issued a procurement card; and
- ◆ The Department of Psychology will not purchase goods or services from Michael Wesner Software Development.

Substance Architecture Interiors Design provides architectural services. Jason Alread is one of four partners that own the company, which is located in Des Moines, Iowa. Mr. Alread is employed on a full-time, 9-month basis as an Assistant Professor in the Department of Architecture, College of Design, at Iowa State University.

The University reports that:

- ◆ Jason Alread will not participate in any evaluation or award decisions relative to the company providing goods or services to ISU, nor has he been issued a procurement card;
- ◆ The Department of Architecture will not purchase goods or services from Substance Architecture Interiors Design; and
- ◆ Jason Alread agrees to conduct Substance Architecture Interiors Design business outside the workplace and on his own time, and to not design classroom projects for the benefit of Substance Architecture Interiors Design.

WZ Design provides creative (graphic design) services for items including books, brochures, newsletters, annual reports, identity systems, and logos. Walter Zekanoski is the sole owner of the business, which is located in Ames, Iowa. Mr. Zekanoski's wife, Karen Gulbrandsen, is a Graduate Teaching Assistant in the Department of English, College of Liberal Arts and Sciences, at ISU.

The University reports that:

- ◆ Ms. Gulbrandsen will not participate in any evaluation or award decisions relative to WZ Design providing goods or services to ISU, nor has she been issued a procurement card; and
- ◆ The Department of English will not purchase goods or services from WZ Design.

Background:

The Iowa Code [68B]:

- ◆ Does not alleviate the requirement for institutions to obtain competitive bids and provide public notice.
- ◆ Prohibits an official or employee of a regulatory agency from selling, either directly or indirectly, goods or services to the agency of which the individual is an official or employee, except when certain conditions are met.
- ◆ Requires all regulatory agencies to adopt rules specifying the method by which employees may obtain agency consent for exception.

The Iowa Administrative Code [681-8.9]:

- ◆ Precludes individuals with potential conflicts from being directly involved in the purchasing decisions or authorizing of any such contracts making material changes to such contracts.
- ◆ Requires Board authorization when a single purchase from a conflict of interest vendor (Regent employee) exceeds \$1,000 or a fiscal year's cumulative purchases exceed \$2,000.

Once a vendor with a potential conflict of interest is approved by the Board, any Regent institution is authorized to purchase from the vendor.