MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Annual Governance Report on Purchasing
Date: November 4, 2002

Recommended Action:

Receive the annual governance report on purchasing activity at the Regent institutions for FY 2002.

Executive Summary:

The Board of Regents purchasing policy affirms that the best interests of the state of Iowa and the Regent institutions are served through implementation of a fully competitive purchasing system. The Board establishes policies and maintains oversight of all procurement functions.

On an annual basis, the Regent institutions compile and report purchasing efforts and compliance with state purchasing statutes as included in this memorandum. Also included are reports on cooperative and collaborative efforts among the Regent institutions and other agencies — a specific Board strategy to provide effective stewardship.

Purchasing Topics

This report is organized by the major purchasing topics as follows:

- Central Purchasing:
  - Cost Savings and Value-Added Purchasing
  - Procurement Cards
  - Electronic Procurement Initiatives
  - Other Procedures
  - FY 2002 Accomplishments
  - FY 2003 Plans

- Cooperative Purchasing
- Iowa-Based Businesses
- Targeted Small Businesses
- Iowa Prison Industries
- Conflict of Interest Vendors

Purchases Processed through Central Purchasing
FY 2002

<table>
<thead>
<tr>
<th>Institution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Iowa</td>
<td>$355,547,158</td>
</tr>
<tr>
<td>Iowa State University</td>
<td>195,712,107</td>
</tr>
<tr>
<td>University of Northern Iowa</td>
<td>71,226,395</td>
</tr>
<tr>
<td>Iowa School for the Deaf</td>
<td>3,211,730</td>
</tr>
<tr>
<td>Iowa Braille and Sight Saving School</td>
<td>659,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$626,356,390</strong></td>
</tr>
</tbody>
</table>
**Strategic Plan:**

The review of purchasing activities is consistent with the Board's strategic plan to meet its statutory responsibility and strategic planning objective (4.4.0.0) to provide effective stewardship of institutional resources by strengthening public understanding of its governance authority.

The Board's system of governance is intended to maintain confidence in the management of the Regent institutions while allowing the institutions relatively wide latitude in the administration of their internal affairs.

**Background:**

**Requirements**

The *Iowa Code* authorizes the Board of Regents to contract for goods, services, and capital improvements [§18.3] and [Chapter 262] and requires the Board to give preference to Iowa-Based Businesses; Small Businesses [§15.102]; and Targeted Small Businesses [§15.102].

The *Regent Policy Manual*:

- Delegates authority to the institutional presidents and superintendents to approve agreements and contracts for all goods and services purchased by the institutions;
- Includes extensive purchasing guidelines but also maintains approval for items such as capital improvements and related consulting contracts;
- Authorizes the institutional presidents and superintendents to establish a central purchasing authority at each institution to ensure that goods and services are competitively selected;
- Requires that each institution establish procedures to ensure that goods and services are competitively bid and describes bidding procedures;
- Encourages the institutions to utilize Iowa Prison Industries, Iowa Products and Labor, and Targeted Small Businesses; and
- Requires each institution to submit an annual report on purchasing, which reviews institutional purchasing efforts and compliance with state statutes and Board policies.

**Organizational Review**

MGT of America, Inc. conducted an organizational review of the Regent enterprise and identified purchasing as an area for further review, including:

- Purchasing policies, procedures, staffing, and costs on each campus;
- Assessment of automated purchasing systems on each campus;
- Interviews with selected vendors regarding ways to further reduce prices charged to the institutions;
- Current and potential cooperative purchasing arrangements;
- Buying patterns and schedules; and
- Shipping / receiving procedures and costs.

Phase II of the organizational review, which was approved by the Board in September 2002, included a recommendation to review the following:

- Change the purchasing section of the Regent Policy Manual, completed by Board action on July 18, 2002.
- Encourage the Regent institutions to continue to look for opportunities to reduce costs and increase cooperative efforts including Regent-wide purchasing contracts.
- Request that reports on progress in achieving increased cooperative efforts be included in the annual governance report on Purchasing.
Purchasing Topics:

Attachment A
(Pages 5 – 9)

Central Purchasing
The institutions purchased just over $626.4 million through central purchasing during FY 2002, an increase of nearly $63.7 million (11.3%) over the $562.7 million spent during FY 2001.

While state appropriations have been reduced significantly during FY 2002, purchases have still increased over FY 2001. State operating appropriations represented 24.0% of total institutional expenditures in FY 2002.

The central purchasing departments at the institutions process purchases for educational and administrative units as well as for a variety of auxiliary enterprises including residence halls, parking systems, and the University of Iowa Hospitals and Clinics. They also handle purchases for the gifts, grants, and contracts awarded to the institutions, which were at an all-time high for FY 2002.

Central purchasing departments at each institution help to ensure efficient and effective vendor selection, order placement, delivery, verification of receipt, and payment. Through institutional and collaborative efforts, purchasing personnel facilitate purchasing efficiencies and effectiveness to reduce costs and deliver more value-added services.

Purchases have gradually increased over the past five fiscal years as a result of the value-added services that central purchasing offices provide.

Central Purchasing Topics:
- Cost Savings and Value-Added Purchasing
- Procurement Cards
- Electronic Procurement Initiatives
- Other Procedures
  - Professional Service Contracts
  - Vendor Complaints

Attachment B
(Pages 10 – 12)

Cooperative Purchasing
Institutional purchasing staff, state purchasing officials, and Board Office staff meet quarterly to discuss purchasing-related activities as well as statewide and cooperative purchasing initiatives.

During FY 2002, the institutions purchased nearly $163.3 million with cooperative purchasing, an increase of almost $32.8 million (25.1%) over FY 2001. Most cooperative purchases are made through Joint Regent Contracts, the Educational & Institutional Purchasing Cooperative, and State of Iowa Contracts.

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>FY 2001</th>
<th>FY 2002</th>
<th>Inc./Dec.</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Regent Contracts</td>
<td>$118,968,703</td>
<td>$152,062,825</td>
<td>$33,094,122</td>
<td>27.8%</td>
</tr>
<tr>
<td>E&amp;I Cooperative</td>
<td>2,657,839</td>
<td>2,587,006</td>
<td>(71,000)</td>
<td>(2.7%)</td>
</tr>
<tr>
<td>State of Iowa Contracts</td>
<td>8,865,382</td>
<td>8,613,390</td>
<td>(252,000)</td>
<td>(2.8%)</td>
</tr>
<tr>
<td>Total</td>
<td>$130,491,924</td>
<td>$163,263,221</td>
<td>$32,771,297</td>
<td>(25.1%)</td>
</tr>
</tbody>
</table>
Iowa-Based Businesses

Regent institutional purchases from Iowa-based businesses for FY 2002:

- Totaled $268.3 million, an overall increase of $30.6 million (12.9%) over FY 2001; and
- Represented 42.8% of the total amount processed through central purchasing offices.

Targeted Small Businesses (TSBs)

The institutions reported purchases of nearly $8.2 million from TSBs during FY 2002.

Iowa Prison Industries (IPI)

During FY 2002, purchases from IPI totaled nearly $1.8 million. This represents an $862,491 (32.4%) decrease from the $2.7 million expended with IPI in FY 2001. The decrease was primarily due to the one-time purchase of furniture for ISU Hawthorne Court in FY 2001.

<table>
<thead>
<tr>
<th>Institution</th>
<th>FY 2001</th>
<th>FY 2002</th>
<th>Inc./Dec.</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>$50,549</td>
<td>$86,110</td>
<td>$35,561</td>
<td>70.3%</td>
</tr>
<tr>
<td>ISU</td>
<td>2,548,714</td>
<td>1,690,323</td>
<td>(858,391)</td>
<td>(33.7%)</td>
</tr>
<tr>
<td>UNI</td>
<td>61,465</td>
<td>20,652</td>
<td>(40,813)</td>
<td>(66.4%)</td>
</tr>
<tr>
<td>ISD</td>
<td>28</td>
<td>1,765</td>
<td>1,737</td>
<td>6203.6%</td>
</tr>
<tr>
<td>IBSSS</td>
<td>713</td>
<td>128</td>
<td>(585)</td>
<td>(82.0%)</td>
</tr>
<tr>
<td>Total</td>
<td>$2,661,469</td>
<td>$1,798,978</td>
<td>($862,491)</td>
<td>(32.4%)</td>
</tr>
</tbody>
</table>

Conflict of Interest Vendors

During FY 2002, the Board approved 16 new vendors. Eighteen vendors were removed from the list since they do not continue to pose conflicts. There were 116 approved vendors with potential conflicts of interest at the end of the year.

The institutions spent a total of $402,719 with conflict of interest vendors during FY 2002, a $51,462 (14.7%) increase over total purchases made in FY 2001. Purchases fluctuate from year to year based on institutional needs for products and services.

Additional examples and details may be found in the Regent Exhibit Book.

Andrea L. Anania
Approved: Gregory S. Nichols
### Analysis:

**Central Purchasing**

Central purchasing departments at each institution help to ensure efficient and effective vendor selection, order placement, delivery, verification of receipt, and payment.

Board policies affirm that the best interests of the State of Iowa and the Regent institutions are served through implementation of a fully competitive purchasing system fostered by the use of open specifications, competitive bids or quotations, and awards to the lowest responsible and responsive bidder.

Through institutional and collaborative efforts, purchasing personnel facilitate purchasing efficiencies and effectiveness to reduce costs and deliver more value-added services.

### Purchases

**Purchases Processed Through Central Purchasing Offices**

**FY 1998 – FY 2002**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>$250,601,017</td>
<td>$277,445,215</td>
<td>$303,483,715</td>
<td>$337,315,791</td>
<td>$355,547,158</td>
</tr>
<tr>
<td>ISU</td>
<td>103,192,421</td>
<td>100,552,872</td>
<td>117,271,183</td>
<td>166,644,568</td>
<td>195,712,107</td>
</tr>
<tr>
<td>UNI</td>
<td>29,818,104</td>
<td>36,960,856</td>
<td>36,684,698</td>
<td>54,361,639</td>
<td>71,226,395</td>
</tr>
<tr>
<td>ISD</td>
<td>1,918,032</td>
<td>2,636,630</td>
<td>3,041,611</td>
<td>3,738,955</td>
<td>3,211,730</td>
</tr>
<tr>
<td>IBSSS</td>
<td>660,778</td>
<td>710,797</td>
<td>725,981</td>
<td>641,508</td>
<td>659,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$386,190,352</strong></td>
<td><strong>$418,306,370</strong></td>
<td><strong>$461,207,188</strong></td>
<td><strong>$562,702,461</strong></td>
<td><strong>$626,356,390</strong></td>
</tr>
</tbody>
</table>

These purchases have significantly increased over the past five fiscal years as a result of the cost saving benefits provided by the purchasing offices.
A wide variety of items are processed through the central purchasing offices at the institutions as illustrated in the following table:

## Purchases Processed through Central Purchasing Offices  
**FY 2002**

<table>
<thead>
<tr>
<th>Type of Purchase</th>
<th>SUI</th>
<th>ISU</th>
<th>UNI</th>
<th>ISD³</th>
<th>IBSSS³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bookstore Acquisitions</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Building Repairs Under $25,000</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes¹</td>
<td>Yes¹</td>
</tr>
<tr>
<td>Capital Projects of $25,000 &amp; More</td>
<td>Yes²</td>
<td>Yes²</td>
<td>Yes²</td>
<td>Yes¹</td>
<td>Yes¹</td>
</tr>
<tr>
<td>Central Stores Acquisitions</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes¹</td>
<td>Yes¹</td>
</tr>
<tr>
<td>Food Products</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fuel &amp; Other Utilities</td>
<td>Yes¹</td>
<td>Yes¹</td>
<td>Yes¹</td>
<td>Yes</td>
<td>Yes¹</td>
</tr>
<tr>
<td>General Supplies and Services</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes¹</td>
<td>Yes¹</td>
</tr>
<tr>
<td>Library Acquisitions</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes¹</td>
<td>Yes¹</td>
</tr>
<tr>
<td>Local Small Orders</td>
<td>Yes</td>
<td>Yes</td>
<td>N/A</td>
<td>Yes¹</td>
<td>Yes¹</td>
</tr>
<tr>
<td>Off-Campus Printing</td>
<td>Yes¹</td>
<td>Yes¹</td>
<td>Yes¹</td>
<td>Yes</td>
<td>Yes¹</td>
</tr>
<tr>
<td>Payment Vouchers</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes¹</td>
<td>Yes¹</td>
</tr>
<tr>
<td>Physical Plant Supplies</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes¹</td>
<td>Yes¹</td>
</tr>
<tr>
<td>Professional and Other Services</td>
<td>Yes¹</td>
<td>Yes¹</td>
<td>Yes¹</td>
<td>Yes</td>
<td>Yes¹</td>
</tr>
<tr>
<td>Student Union Supplies</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>N/A</td>
</tr>
<tr>
<td>Travel</td>
<td>No</td>
<td>Yes¹</td>
<td>Yes¹</td>
<td>Yes</td>
<td>Yes¹</td>
</tr>
</tbody>
</table>

1. In part. Remaining purchases are institution-wide.
2. Purchasing participates in a small number of capital projects when cost savings can be obtained by procuring fixed equipment or specialized components through the purchasing department.
   Most capital projects of $25,000 or more are handled solely by the facilities planning and management construction services office.
3. ISU processes purchases of $5,000 or more for ISD & IBSSS [Regent Policy Manual].

**Cost Savings and Value-Added Purchasing**

Central purchasing departments at the Regent institutions continually strive to:

- Reduce costs by combining purchasing power through better purchasing methods; and
- Deliver more value-added services through contract negotiation, RFP development, and institutional coordination efforts.
Procurement Cards

Procurement cards provide a more efficient and cost-effective procedure for purchasing low-value, small-dollar transactions and allow purchasing professionals to concentrate on high-dollar, more complex acquisitions.

### Procurement Card Purchases
**FY 1999 – FY 2002**

<table>
<thead>
<tr>
<th>Institution</th>
<th>FY 1999</th>
<th>FY 2000</th>
<th>FY 2001</th>
<th>FY 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>$12,999,623</td>
<td>$15,300,354</td>
<td>$17,703,377</td>
<td>$29,196,074</td>
</tr>
<tr>
<td>ISU</td>
<td>650,711</td>
<td>2,760,476</td>
<td>4,557,680</td>
<td>6,943,159</td>
</tr>
<tr>
<td>UNI</td>
<td>938,546</td>
<td>1,118,439</td>
<td>1,345,493</td>
<td>2,522,993</td>
</tr>
<tr>
<td>Total</td>
<td>$14,588,880</td>
<td>$19,179,269</td>
<td>$23,606,550</td>
<td>$38,662,226</td>
</tr>
</tbody>
</table>

The institutions have steadily increased purchases as a result of the visible savings associated with procurement cards.

### Number of Procurement Cards Issued
**FY 1999 – FY 2002**

<table>
<thead>
<tr>
<th>Institution</th>
<th>FY 1999</th>
<th>FY 2000</th>
<th>FY 2001</th>
<th>FY 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>1,038</td>
<td>1,019</td>
<td>1,189</td>
<td>1,478</td>
</tr>
<tr>
<td>ISU</td>
<td>214</td>
<td>383</td>
<td>606</td>
<td>1,040</td>
</tr>
<tr>
<td>UNI</td>
<td>261</td>
<td>278</td>
<td>293</td>
<td>309</td>
</tr>
<tr>
<td>Total</td>
<td>1,513</td>
<td>1,680</td>
<td>2,088</td>
<td>2,827</td>
</tr>
</tbody>
</table>

The institutions continue to increase the number of procurement cards issued as the benefits and cost savings increase.

### Security Measures
The institutions monitor procurement / Voyager card purchases regularly and have initiated several security measures to ensure that procurement cards are used appropriately including deactivating cards when:

- Employees resign or transfer to a different department;
- Cards are reported lost or stolen; and / or
- Fraudulent activity is suspected.

### Written Purchase Orders
**Number of Regular Purchase Orders Written**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>37,036</td>
<td>22,148</td>
<td>21,134</td>
<td>15,126</td>
<td>12,340</td>
</tr>
<tr>
<td>ISU</td>
<td>36,066</td>
<td>34,388</td>
<td>31,348</td>
<td>28,654</td>
<td>24,717</td>
</tr>
<tr>
<td>UNI</td>
<td>5,784</td>
<td>5,396</td>
<td>5,031</td>
<td>4,604</td>
<td>2,592</td>
</tr>
<tr>
<td>ISD</td>
<td>2,987</td>
<td>3,119</td>
<td>2,844</td>
<td>2,764</td>
<td>2,715</td>
</tr>
<tr>
<td>IBSSS</td>
<td>1,025</td>
<td>1,116</td>
<td>1,090</td>
<td>1,092</td>
<td>1,017</td>
</tr>
<tr>
<td>Total</td>
<td>82,898</td>
<td>66,167</td>
<td>61,447</td>
<td>52,240</td>
<td>43,381</td>
</tr>
</tbody>
</table>

* Excludes local small orders, payment vouchers, and emergency shopping permits where no purchase order is written.

The institutions have steadily decreased the number of written purchase orders due to the increased usage of procurement cards, enabling central purchasing staff to focus on value-added activities and the departments to have access to items on a more timely basis.
Electronic Procurement Initiatives

- SUI researched electronic procurement opportunities and invited various vendors to campus for demonstration of their procurement software.
- ISU enhanced their web-based requisitioning system to: (1) allow departments to directly enter their own purchase orders totaling less than $2,000; and (2) include electronic routing approvals and eliminate manual processing.
- UNI implemented phase I of the new Oracle financial management system, which utilizes electronic requisitioning, signature approval, and reporting.

Professional Service Contracts

The Board approved the revised purchasing section of the Regent Policy Manual at the July 2002 meeting, which included the addition of policies for professional service contracts. These policies are intended to comply with the Accountable Government Act.

The policy addresses the following:
- Definition of Professional Service Agreements;
- Selection of a Provider;
- Provider Accountability; and
- Provisions of Professional Service Agreements, including
  - Performance Requirements;
  - Period of Performance;
  - Compensation and Payment;
  - Performance Monitoring; and
  - Provision of Liability.

The institutions are making progress on compliance with the new policies. A report on professional services contracts will be included in the Annual Governance Report on Purchasing to be presented to the Board in November 2003.

Vendor Complaints

One vendor complaint was received at the Board Office during FY 2002 from Trans-Lux Midwest, regarding Iowa State University’s recommendation to award the scoreboard bid to Daktronics, Inc.

Trans-Lux officials presented their complaint to the Banking Committee at its April 2002 meeting.

The Board upheld Iowa State University’s recommendation to execute the contract with Daktronics as the vendor.
FY 2002 Accomplishments

The institutions experienced many accomplishments during FY 2002. For example, central purchasing departments collectively:

- Made progress on their web-based requisitioning systems, which enabled on-line order processing from requisitions to approvals to invoice payment.
- Increased procurement card usage and eliminated manual processing of purchase orders, invoices, and checks.
- Established two sets of guidelines: Guidelines for Shared Pricing Agreements and Guidelines for Joint Regent Contracts.
- Added additional vendor contracts for procurement card purchases.
- Participated in a consortium of public entities to take advantage of large discounts for bulk purchase items such as paper.
- Increased volume discounts and leveraged purchasing power through bulk purchases.
- Provided additional dollar savings with expertise of vendor capability, market conditions, and products.
- Negotiated additional pricing agreements with vendors for items such as flooring, painting, plumbing supplies, electrical supplies and electrical services and with freight carriers for inbound and outbound freight handling.
- Worked closely with the major airlines to maintain airfare discounts.

FY 2003 Plans

Central purchasing departments at the institutions plan to improve their purchasing efforts during FY 2003 by collectively:

- Improving web-based requisitioning systems and eliminating manual processing;
- Developing plans for implementing additional e-procurement features to web-requisitioning systems such as on line catalogs, contracts, and reverse bidding;
- Working cooperatively to identify and develop additional joint contracting opportunities;
- Performing extensive procurement training;
- Creating a web-based travel reimbursement system that will interface with the procurement card system;
- Developing a system to automatically release contracts; and
- Developing additional vendor volume pricing agreements for procurement card use.
Cooperative Purchasing

Through cooperative purchasing, the Regent institutions achieved efficiencies and effectiveness by reducing costs and by delivering more value-added services such as improved vendor selection, order placement, delivery, verification of receipt, and payment.

Cooperative Purchasing efforts include: Joint Regent Contracts (JRC), the Educational and Institutional Cooperative Purchasing Consortium (E&I), and State of Iowa (State) contracts, which are individually discussed in the following three sections.

Policies

The Regent Policy Manual encourages the Regent institutions to:

• Exchange price information, vendor lists, bidder histories, and standard specifications and to implement inter-institutional purchasing arrangements wherever practical and feasible so that maximum value can be obtained;

• Participate in interagency cooperative purchasing agreements to provide the lowest competitive price consistent with quality and service requirements of Regent institutions; and

• Purchase from state central purchasing contracts if it is in the best interest of the institution.

Purchases

The institutions strive to maintain the proper balance among cooperative purchasing and other consortia opportunities (Iowa-Based Businesses, Targeted Small Businesses, and Iowa Prison Industries) while serving the needs of the campuses by providing the best value at the best price.

Cooperative Purchases
FY 1998 – FY 2002

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>JRC</td>
<td>$97,748,180</td>
<td>$102,252,530</td>
<td>$107,822,050</td>
<td>$118,968,703</td>
<td>$152,062,825</td>
</tr>
<tr>
<td>E&amp;I</td>
<td>2,371,388</td>
<td>2,186,099</td>
<td>2,960,171</td>
<td>2,657,839</td>
<td>2,587,006</td>
</tr>
<tr>
<td>State</td>
<td>7,361,462</td>
<td>5,312,427</td>
<td>6,874,989</td>
<td>8,865,382</td>
<td>8,613,390</td>
</tr>
<tr>
<td>Total</td>
<td>$107,481,030</td>
<td>$109,751,056</td>
<td>$117,657,210</td>
<td>$130,491,924</td>
<td>$163,263,221</td>
</tr>
</tbody>
</table>

During FY 2002, the institutions cooperatively purchased nearly $163.3 million, an increase of $32.8 million (25.1%) over the $130.5 million during FY 2001.
Joint Regent Contracts consolidate like commodities from the institutions into a single contract. This minimizes individual institutions’ efforts while maximizing commodity volume to gain better prices which otherwise could not be achieved.

The institutions purchase a variety of products through numerous vendors using Joint Regent Contracts such as pharmaceutical drugs and medical supplies. The Regent Exhibit Book contains a listing of all such contracts effective during FY 2002.

### Joint Regent Contract Purchases

**FY 1998 – FY 2002**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>$85,338,824</td>
<td>$88,976,713</td>
<td>$93,032,252</td>
<td>$102,673,661</td>
<td>$134,093,299</td>
</tr>
<tr>
<td>ISU</td>
<td>10,528,175</td>
<td>10,637,327</td>
<td>12,292,768</td>
<td>12,491,051</td>
<td>13,196,244</td>
</tr>
<tr>
<td>UNI</td>
<td>1,873,315</td>
<td>2,620,832</td>
<td>2,476,573</td>
<td>3,691,407</td>
<td>4,725,785</td>
</tr>
<tr>
<td>ISD</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100,692</td>
<td>46,056</td>
</tr>
<tr>
<td>IBSSS</td>
<td>7,866</td>
<td>17,658</td>
<td>20,457</td>
<td>11,892</td>
<td>1,441</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$97,748,180</strong></td>
<td><strong>$102,252,530</strong></td>
<td><strong>$107,822,050</strong></td>
<td><strong>$118,968,703</strong></td>
<td><strong>$152,062,825</strong></td>
</tr>
</tbody>
</table>

During FY 2002, the institutions purchased nearly $152.1 million through Joint Regent Contracts, an increase of nearly $33.1 million (27.8%) over the $119.0 million spent during FY 2001.

### Educational and Institutional Cooperative Purchasing Consortium

The Educational & Institutional (E&I) Cooperative Purchasing Consortium is a not-for-profit purchasing cooperative consisting of over 2,000 tax-exempt colleges, universities, preparatory schools, hospitals, medical research institutions, and hospital purchasing organizations in the United States.

Over 75 contracts provide members with products and services ranging from computer supplies to lab coats, at very competitive prices.

### Educational & Institutional Cooperative Purchasing Consortium Purchases

**FY 1998 – FY 2002**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>$1,260,784</td>
<td>$1,268,494</td>
<td>$1,469,411</td>
<td>$1,415,036</td>
<td>$1,845,876</td>
</tr>
<tr>
<td>ISU</td>
<td>988,422</td>
<td>899,434</td>
<td>1,376,126</td>
<td>955,997</td>
<td>684,604</td>
</tr>
<tr>
<td>UNI</td>
<td>122,182</td>
<td>18,171</td>
<td>114,634</td>
<td>286,806</td>
<td>56,526</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,371,388</strong></td>
<td><strong>$2,186,099</strong></td>
<td><strong>$2,960,171</strong></td>
<td><strong>$2,657,839</strong></td>
<td><strong>$2,587,006</strong></td>
</tr>
</tbody>
</table>

During FY 2002, the institutions purchased nearly $2.6 million through the E&I Consortium, a decrease of $70,833 (2.7%) from the nearly $2.7 million spent during FY 2001.
The Regent institutions cooperatively work with the Iowa Department of General Services (IDGS) and share contracts whenever possible. The institutions have standard language in their contracts that allow the State of Iowa to use the Regent contracts and the Regents may access current State of Iowa contracts and related information on the IDGS web site.

Regent institutional staff and IDGS staff communicate regularly through quarterly purchasing meetings and through other correspondence.

**State of Iowa Contract Purchases**

**FY 1998 – FY 2002**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>$4,626,326</td>
<td>$2,662,380</td>
<td>$3,948,258</td>
<td>$5,270,202</td>
<td>$5,712,986</td>
</tr>
<tr>
<td>ISU</td>
<td>2,144,906</td>
<td>1,937,440</td>
<td>2,342,650</td>
<td>2,911,520</td>
<td>2,145,245</td>
</tr>
<tr>
<td>UNI</td>
<td>575,070</td>
<td>693,453</td>
<td>539,992</td>
<td>596,891</td>
<td>629,290</td>
</tr>
<tr>
<td>ISD</td>
<td>0</td>
<td>0</td>
<td>27,846</td>
<td>74,801</td>
<td>105,295</td>
</tr>
<tr>
<td>IBSSS</td>
<td>15,160</td>
<td>19,154</td>
<td>16,243</td>
<td>11,968</td>
<td>20,574</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,361,462</strong></td>
<td><strong>$5,312,427</strong></td>
<td><strong>$6,874,989</strong></td>
<td><strong>$8,865,382</strong></td>
<td><strong>$8,613,390</strong></td>
</tr>
</tbody>
</table>

During FY 2002, the institutions purchased just over $8.6 million through the State of Iowa Contracts, a decrease of $251,992 (2.8%) from the nearly $8.9 million spent during FY 2001.

The institutions report that they utilize cooperative contracts to their fullest extent and report the following accomplishments for the year:

- Negotiated a Regent-wide outbound and inbound shipping contract with UPS based on the combined institutional volume resulting in even greater discounts;
- Established an agreement for SUI to handle mail service for UNI, resulting in salaries, equipment, and postage savings of more than $100,000 per year for UNI;
- Experienced a 41% reduction in fluorescent lamp recycling due to industry competition;
- Awarded the Continuous Emissions Monitoring System (CEMS) Program contract to an Iowa-based business at more competitive pricing, and included more services under the contract; and
- Achieved excellent results from the contract for hazardous waste disposal, which eliminated unnecessary procedures and minimized both disposal costs and long-term risks.
The Board and the institutions are committed to purchases from Iowa-based businesses whenever possible.

The Iowa Code requires state and local governing bodies to give preference to Iowa-based businesses, small businesses, and targeted small businesses when purchasing materials, products, supplies, provisions, and other articles purchased at public expense [Chapter 73].

Small businesses are defined as any enterprise which is:

- Located in this state;
- Operated for profit and under a single management; and
- Has either fewer than twenty employees or an annual gross income of less than three million dollars computed as the average of the three preceding fiscal years [§15.102(4)].

The Regent institutions exert great effort to identify and utilize Iowa-based businesses within their purchasing databases by:

- Looking for Iowa-based businesses by researching the Internet and by providing active bid opportunities on the institutions’ web sites;
- Identifying and coding Iowa-based business in their databases;
- Encouraging employees to use Iowa-based businesses for quotations and requests for proposals;
- Coordinating vendor capabilities with customer needs; and
- Giving preference to products grown in Iowa.

### Purchases by Sources

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa Bus. Small</td>
<td>$54,166</td>
<td>$56,835</td>
<td>$60,991</td>
<td>$66,019</td>
<td>$53,249</td>
</tr>
<tr>
<td>Iowa Bus. Not Small</td>
<td>134,205</td>
<td>108,575</td>
<td>143,481</td>
<td>171,619</td>
<td>215,032</td>
</tr>
<tr>
<td>Iowa Bus. Subtotal</td>
<td>$188,371</td>
<td>$165,410</td>
<td>$204,472</td>
<td>$237,638</td>
<td>$268,281</td>
</tr>
<tr>
<td>Out of State</td>
<td>195,612</td>
<td>250,420</td>
<td>253,651</td>
<td>322,385</td>
<td>355,586</td>
</tr>
<tr>
<td>Out of Country</td>
<td>2,208</td>
<td>2,476</td>
<td>3,084</td>
<td>2,679</td>
<td>2,489</td>
</tr>
<tr>
<td>Total Purchases</td>
<td>$386,191</td>
<td>$418,306</td>
<td>$461,207</td>
<td>$562,702</td>
<td>$626,356</td>
</tr>
</tbody>
</table>
## Purchases from Iowa-Based Businesses
### FY 2001 – FY 2002

<table>
<thead>
<tr>
<th>Institution</th>
<th>FY 2001</th>
<th>FY 2002</th>
<th>Inc./Dec.</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>$118,064,090</td>
<td>$117,764,326</td>
<td>($299,764)</td>
<td>(0.3%)</td>
</tr>
<tr>
<td>ISU</td>
<td>87,185,223</td>
<td>108,611,603</td>
<td>21,426,380</td>
<td>24.6%</td>
</tr>
<tr>
<td>UNI</td>
<td>29,750,096</td>
<td>39,768,967</td>
<td>10,018,871</td>
<td>33.7%</td>
</tr>
<tr>
<td>ISD</td>
<td>2,153,356</td>
<td>1,701,868</td>
<td>(451,488)</td>
<td>(21.0%)</td>
</tr>
<tr>
<td>IBSSS</td>
<td>485,635</td>
<td>434,238</td>
<td>(51,397)</td>
<td>(10.6%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$237,638,400</strong></td>
<td><strong>$268,281,002</strong></td>
<td><strong>$30,642,602</strong></td>
<td><strong>12.9%</strong></td>
</tr>
</tbody>
</table>

The institutions collectively increased purchases from Iowa-based businesses by over $30.6 million (12.9%) from FY 2001.

### FY 2002 Accomplishments

- SUI provided training and held individual meetings regarding the importance of purchasing from Iowa-based businesses. The University’s purchases from Iowa-based businesses decreased slightly from FY 2001 (0.3%) due to increased group contract purchases.
- ISU increased its spending with Iowa-based businesses by $21.4 million (24.6%) over FY 2001, largely due to better reporting.
- UNI increased its spending with Iowa-based business by $10.0 million (33.7%) over FY 2001 due to improved reporting through the new Oracle reporting system.
- ISD and IBSSS purchased more than 50% of their purchases from Iowa-based businesses.

### FY 2003 Plans

The institutions will continue to strive to increase their purchases from Iowa-based businesses by collectively:

- Identifying and soliciting competitive pricing from Iowa-based businesses in their respective market areas;
- Engaging in additional dialogue to discuss ways to increase purchases from Iowa-based businesses;
- Evaluating report data quarterly to provide feedback to purchasing agents;
- Continuing to review goals within the context of the universities’ budget concerns;
- Increasing purchases from professional services that are contracted below the required competitive threshold, thus enabling more business to be directed to Iowa-based businesses;
- Obtaining additional information on Iowa-based businesses and communicating their capabilities throughout the campuses; and
- Including notice of the preference for Iowa businesses whenever possible in the purchasing guidelines.
Targeted Small Businesses (TSBs)

Requirements

The Iowa Code:

- Defines a targeted small business as a business that is:
  - At least 51% owned, operated, and actively managed by one or more women, minorities, or persons with disabilities;
  - Located in Iowa;
  - Operated for profit; and
  - Has an annual gross income of less than $3 million computed as an average of the three preceding fiscal years.

- Requires that agencies have a goal of procuring at least 10% of its goods and services from certified TSBs.

Other Minority Purchases

The Regent institutions also purchase products from businesses that are minority-owned but have not gone through the state’s certification process.

The central purchasing departments at the institutions process purchases using a variety of funding including federal sources. Federal guidelines also have diversity initiatives and goals. The institutions make purchases from federally classified Minority Business Enterprises (MBE) and Women Business Enterprises (WBE) nationwide.

Targeted small businesses that do not become certified with the State of Iowa cannot be counted in the state’s TSB purchasing totals.

<table>
<thead>
<tr>
<th>FY 2002 Expenditures</th>
<th>Purchases from TSBs FY 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Construction / Capital</td>
</tr>
<tr>
<td>SUI</td>
<td>$5,642</td>
</tr>
<tr>
<td>ISU</td>
<td>159,521</td>
</tr>
<tr>
<td>UNI</td>
<td>393,723</td>
</tr>
<tr>
<td>ISD</td>
<td>0</td>
</tr>
<tr>
<td>IBSSS</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>$558,886</td>
</tr>
</tbody>
</table>

FY 2002 Reporting Change

The State of Iowa modified its required reporting format for TSB purchases based on recommendations from the Governor’s Targeted Small Business Task Force Implementation Team. The changes reflect expenditures differently than in prior years and make any meaningful comparison difficult.
The institutions:

- Contact eligible TSB vendors and provide information regarding certification opportunities;

- Comply with the mandated statutory change made in the 2001 legislative session to post current bid opportunities on the TSB 48-hour web site as well as on institutional web sites;

- Review the web-based TSB database on a regular basis for up-to-date information on current vendors;

- Encourage staff to purchase from TSBs whenever possible; and

- Encourage TSBs to bid for work whenever possible.

The institutions reported that they accomplished the following:

- Implemented the State’s new quarterly reporting procedure.

- Invited TSB’s to apply for a scholarship providing a free booth at the National Association of Educational Buyers four-state MINK Regional Conference and Product Show. Three Iowa TSB’s responded to the opportunity and all were awarded scholarships to exhibit.

- Initiated contacts with women and minority-owned businesses currently doing business with the universities and persuaded them to become certified.

- Utilized the TSB 48-hour web site to advertise quote opportunities.

- Made contact with TSBs and referred them to campus departments with needs consistent with the goods or services offered by the TSB.

- Distributed vendor guides to TSB’s at numerous networking activities.

- Sent notification of projects directly to potential TSB contractors.

- Participated in several TSB seminars and training sessions, including:
  - Regional meetings, which provide opportunities to meet TSBs;
  - Bi-monthly Women and Minority Owned Business Networking Breakfasts; and
  - The Governor’s Task Force on Targeted Small Businesses.

- Worked on a national committee to solicit, encourage, and select historically underutilized small businesses to participate and exhibit at an annual product exhibit meeting held in Nebraska.
Iowa Prison Industries (IPI)

The Iowa Code requires state agencies to purchase goods furnished by Iowa Prison Industries (IPI) unless those goods do not meet the performance characteristics of similar goods used by the agencies or unless IPI cannot deliver similar goods, comparable both in performance and price, within a reasonable length of time [§904.808].

The Regent Policy Manual encourages the institutions to purchase from Iowa Prison Industries unless exempted under special circumstances.

Demand fluctuates from year to year due to the cyclical nature of higher-cost product purchases, such as furniture, which are dependent on the individual construction projects on the Regent campuses.

**Purchases from Iowa Prison Industries**

**FY 1998 – FY 2002**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>$77,163</td>
<td>$21,813</td>
<td>$282,304</td>
<td>$50,549</td>
<td>$86,110</td>
</tr>
<tr>
<td>ISU</td>
<td>904,552</td>
<td>892,674</td>
<td>2,011,388</td>
<td>2,548,714</td>
<td>1,690,323</td>
</tr>
<tr>
<td>UNI</td>
<td>3,503</td>
<td>5,711</td>
<td>7,367</td>
<td>61,465</td>
<td>20,652</td>
</tr>
<tr>
<td>ISD</td>
<td>7,151</td>
<td>35,815</td>
<td>2,826</td>
<td>28</td>
<td>1,765</td>
</tr>
<tr>
<td>IBSSS</td>
<td>293</td>
<td>832</td>
<td>2,553</td>
<td>713</td>
<td>128</td>
</tr>
<tr>
<td>Total</td>
<td>$992,662</td>
<td>$956,845</td>
<td>$2,306,438</td>
<td>$2,661,469</td>
<td>$1,798,978</td>
</tr>
</tbody>
</table>

FY 2002 purchases from IPI decreased $862,491 (32.4%) from FY 2001. The decrease was primarily due to the one-time purchase of furniture for ISU Hawthorne Court in FY 2001. Budget cuts also played an important role in discretionary spending.

- SUI’s $35,561 increase was largely due to the purchase of library sections and partly due to the purchase of residence hall furniture.
- ISU’s $858,391 decrease was primarily due to reduced furniture needs associated with the current residence hall capital project schedule. Furniture continued to be the largest portion of ISU’s purchases from IPI. The second highest volume of business is IPI’s labor to move furniture and other warehouse materials.
- UNI’s $40,813 decrease was due to the one-time reupholstering, refinishing, and purchases made in FY 2001 (Rod Library, Seerley Hall, McElroy Hall and Wright Hall). FY 2002 purchases were still significantly higher than any one year from FY 1998 to FY 2000.
- ISD’s $1,737 increase was due to the one-time purchase of computer workstations for the classrooms in the new Lied Multipurpose Complex.
- IBSSS’ $585 decrease was due to budget cuts.
Purchasing Procedures

The Regent institutions provide opportunities for IPI to submit bids for various products and services as a matter of standard procedure.

In some instances, direct negotiations are conducted for specialized products that match IPI’s unique capabilities with the needs of the Regent institutions. These specialized products are reviewed and compared against commercial companies for quality and price.

The institutions report that they encourage the use of Iowa Prison Industries whenever possible.

FY 2002 Accomplishments

The institutions reported the following accomplishments with IPI for the year:

- SUI invited IPI representatives on campus to present their products and meet with the various departments; displayed residence hall furniture and office assemblies in the Purchasing Department and at various locations on campus; and created a link to IPI’s web site from the Department’s web site.

- ISU purchased a large quantity of furniture for the residence hall projects and utilized IPI labor to move furniture and other warehouse materials from IPI generating 94.0% of the Regent institutions’ total volume of purchases.

- UNI purchased conference tables and had IPI refinish bookcases, lab tables, chairs, a cabinet, and a desk.

FY 2003 Plans

The institutions plan to:

- Continue to promote on-campus displays of IPI products;

- Encourage IPI’s participation in vendor exhibits;

- Consider IPI’s wood furniture before any other brand;

- Utilize IPI’s refinishing, reupholstering and signage services;

- Obtain and distribute IPI product catalogs to the various end-users on campus; and

- Schedule meetings for IPI to showcase their products.
**Conflict of Interest Vendors**

Each Regent institution is responsible for identifying and analyzing Conflict of Interest vendor purchases at its institution.

**Requirements**

The *Iowa Code* contains requirements that officials or employees of a regulatory agency must follow in order to sell goods or services to their respective agency as a conflict of interest vendor.

The *Regent Policy Manual* contains policies and procedures that the Regent institutions must follow regarding the authorization of potential conflicts of interest vendors.

**Purchasing Procedures**

Purchasing personnel at the Regent institutions process requests for vendors with potential conflicts of interest. Vendors are removed when conflicts no longer exist.

**FY 2002 Activities**

The Board approved 16 new vendors with Conflicts of Interest during the year and the institutions removed 18 vendors that do not continue to pose conflicts. There were 116 approved vendors with potential conflicts of interest at June 30, 2002.

The institutions spent a total of $402,719 with Conflict of Interest Vendors in FY 2002, a $51,462 (14.7%) increase over the $351,257 total purchases made in FY 2001. Purchases fluctuate from year to year based on institutional needs for products and services.

A complete list of approved vendors is included in the Regent Exhibit Book.