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Mary Mosiman, CPA  
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**NEWS RELEASE**

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FOR RELEASE \_\_\_\_\_ June 30, 2014

Auditor of State Mary Mosiman today released a report on a review of the Central Procurement Enterprise (CPE) of the Iowa Department of Administrative Services for the period July 1, 2009 through March 31, 2013. The review was requested by the former CPE Chief Operating Officer of as a result of concerns regarding certain transactions involving a Targeted Small Business (TSB) which was co-owned by a CPE employee.

Mosiman reported a number of concerns were identified regarding payments made by Woodward Resource Center (WRC) to BluePrint Homes, LLC, a construction company co-owned by Lois Schmitz, a CPE employee. Specifically, a number of payments to BluePrint Homes, LLC from WRC were identified which were individually less than \$10,000.00, but appear to be a portion of a larger project. BluePrint Homes, LLC was certified as a TSB in July 2009 and began providing services to WRC later that month. State agencies are authorized to make purchases of less than \$10,000.00 from TSBs without using a competitive procurement process. However, purchases in excess of \$10,000.00 are to be made through a competitive procurement process.

Mosiman reported the procedures performed identified 11 projects which were split into 54 claims paid by WRC. The claims total \$367,646.60. During the fiscal year ended June 30, 2010, WRC paid BluePrint Homes, LLC \$505,506.36, but did not pay any other construction vendors. Mosiman also reported the split transactions identified were paid by WRC between November 3, 2009 and August 13, 2010.

Mosiman also reported other concerns identified with claims WRC paid to BluePrint Homes, LLC include:

- inconsistencies in pricing between certain invoices,
- invoices for which the invoice date preceded the date of services, and
- noncompliance with requirements regarding emergency procurements.

In addition, Mosiman reported Ms. Schmitz did not comply with section 68B.3 of the *Code of Iowa*, which generally prohibits a state employee from selling any goods or services in excess of \$2,000.00 to any state agency unless the sale is made pursuant to an award or contract let after public notice and competitive bidding. The *Code* also requires a state employee file a report with the Iowa Ethics and Campaign Disclosure Board within 20 days of any permissible sales made in accordance with section 68B.3 of the *Code*. Mosiman reported Ms. Schmitz did not inform the Iowa Ethics and Campaign Disclosure Board of any of the jobs WRC awarded to BluePrint Homes, LLC and should have complied with section 68B.3 of the *Code of Iowa*.

Mosiman recommended DAS officials implement a "Representation of Independence" form which should be completed at least annually by procurement staff members to ensure appropriate oversight. Mosiman also recommended DAS officials ensure adequate training is provided to ensure all procurement officials have an appropriate understanding of requirements established by section 68B.3 of the *Code of Iowa*. In addition, Mosiman recommended WRC officials ensure appropriate controls are implemented to ensure compliance with all applicable procurement requirements.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1360-0050-BOP1.pdf>.

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**REPORT ON A REVIEW  
OF THE  
CENTRAL PROCUREMENT ENTERPRISE OF THE  
IOWA DEPARTMENT OF ADMINISTRATIVE SERVICES  
  
FOR THE PERIOD  
JULY 1, 2009 THROUGH MARCH 31, 2013**

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Auditor of State's Report

To Janet Phipps-Burkhead, Director of the  
Iowa Department of Administrative Services:

As a result of concerns regarding certain transactions involving a Targeted Small Business (TSB) which was co-owned by Lois Schmitz and at the request of the former Chief Operating Officer of the Central Procurement Enterprise (CPE) of the Iowa Department of Administrative Services (DAS), we conducted a review of the CPE. Ms. Schmitz is an employee of CPE. We have applied certain tests and procedures to selected financial transactions involving the TSB vendor and reviewed Ms. Schmitz's responsibilities and actions for the period July 1, 2009 through March 31, 2013, unless otherwise noted. Based on discussions with CPE personnel and a review of relevant information, we performed the following procedures for the periods specified:

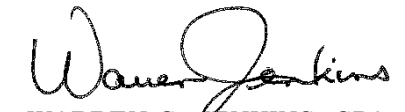
- (1) Evaluated DAS policies and procedures and internal controls over disbursements at certain State agencies to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Interviewed certain CPE employees and reviewed certain documents obtained from DAS officials to determine Ms. Schmitz's job duties. We also reviewed certain documents collected by and/or prepared by DAS officials during an internal investigation of Ms. Schmitz's actions to independently review and evaluate the information.
- (3) Reviewed certain requirements established by the *Code of Iowa* regarding conflicts of interest to determine if Ms. Schmitz's actions complied with the requirements.
- (4) Reviewed the TSB application and related documents submitted to the Department of Inspections and Appeals for BluePrint Homes, LLC, a company co-owned by Ms. Schmitz and her husband, to obtain an understanding of the information submitted.
- (5) Reviewed payments made to BluePrint Homes, LLC by various State agencies to determine propriety and compliance with requirements established by the Iowa Administrative Code.
- (6) Interviewed certain Woodward Resource Center employees regarding purchases made from BluePrint Homes, LLC to obtain an understanding of the transactions.

These procedures identified a number of concerns with payments made by Woodward Resource Center to a company co-owned by Ms. Schmitz. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Review Summary and **Exhibit A** of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Central Procurement Enterprise of the Iowa Department of Administrative Services, other matters might have come to our attention that would have been reported to you.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the Central Procurement Enterprise of the Iowa Department of Administrative Services during the course of our review.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 7, 2014

Report on a Review of the  
Central Procurement Enterprise of the  
Iowa Department of Administrative Services

Review Summary

**Background Information**

In accordance with Chapter 8A of the *Code of Iowa*, the Iowa Department of Administrative Services (DAS) was created for the purpose of managing and coordinating the major resource of state government. To accomplish its goals, 5 enterprises have been established within DAS, including the Central Purchasing Enterprise (CPE), the Information Technology Enterprise (ITE), the Human Resources Enterprise (HRE), the General Services Enterprise (GSE) and the State Accounting Enterprise (SAE). Each Enterprise is headed by a Chief Operating Officer who reports to the Director of DAS.

CPE is responsible for providing a system of uniform standards and specifications for purchasing. With certain exceptions, all items of general use are to be purchased by state agencies through centralized purchasing administered by CPE. In accordance with the *Code of Iowa*, CPE has established administrative rules regarding competitive bidding procedures. In addition, certain requirements regarding conflicts of interest related to purchasing performed by state agencies have been established in Chapter 68B of the *Code of Iowa*.

CPE had 9 filled and 1 vacant purchasing agent positions in its June 2013 table of authorized positions. CPE also had 7 other filled and vacant positions listed at that time. The vacant positions included an Executive Officer 3, which had previously been held by Lois Schmitz.

Ms. Schmitz began employment with the HRE as a training officer in 1999. She was promoted to the Executive Officer 3 position in the purchasing area of DAS (currently known as CPE) in 2004. In that position, she continued to provide training on requirements established by Administrative Rules and the *Code of Iowa* to representatives of state agencies. According to Ms. Schmitz, she also answered questions from agency representatives regarding rules, regulations, and bids. She also stated the training included when a formal or an informal bid is required, how to treat targeted small businesses (TSBs), and how to evaluate bids.

According to an SAE official, SAE staff reviewing TSB information in December 2012 determined Ms. Schmitz co-owned a TSB, BluePrint Homes, LLC. The staff also determined “a very large dollar amount of business” had been done between BluePrint Homes, LLC and the State of Iowa over the last 4 or 5 years. In accordance with their normal procedures, the SAE official contacted DAS legal counsel regarding this determination. The Chief Operating Officer of CPE also initiated an internal investigation into alleged misconduct by Ms. Schmitz. The internal investigation was conducted by HRE officials. As a result of the internal investigation, several concerns were identified, including, but not limited to:

- Ms. Schmitz did not disclose the nature of her involvement with BluePrint Homes, LLC to DAS officials.
- Ms. Schmitz did not provide documentation to the Iowa Ethics and Campaign Disclosure Board as required by section 68B.3(5) of the *Code of Iowa*.
- Ms. Schmitz was responsible for training individuals who procured goods and services for various state agencies. The training specifically involved bidding requirements and conflict of interest. As a result, Ms. Schmitz was well acquainted with bidding requirements and what constituted a conflict of interest.
- BluePrint Homes, LLC split certain billings for work performed for the Woodward Resource Center to avoid competitive bidding requirements.
- As the co-owner of BluePrint Homes, LLC, Ms. Schmitz personally benefited from the improper bidding practices carried out by Woodward Resource Center.

As a result of the concerns identified, Ms. Schmitz was terminated from employment on February 27, 2013. Ms. Schmitz filed a grievance. After following the established grievance procedures, an arbitration decision dated December 31, 2013 found the grievance was sustained and Ms. Schmitz was reinstated with back pay. She returned to employment with DAS as an Executive Officer 3 on January 17, 2014 and received \$87,151.68 of back pay and \$12,063.38 of reimbursements for costs she incurred for health and dental insurance. In addition, the State incurred \$8,856.25 of costs for the employer's share of IPERS contributions and other benefits for Ms. Schmitz when she was reinstated.

The matter was also referred to the Iowa Ethics and Campaign Disclosure Board. Prior to transferring from CPE, the Chief Operating Officer also requested the Office of Auditor of State review compliance with various procurement rules and regulations with regard to purchases from BluePrint Homes, LLC. As a result of the request, we performed the procedures detailed in the Auditor of State's Report for the period July 1, 2009 through March 31, 2013.

### **Detailed Findings**

The procedures performed during the review identified a number of concerns with payments made by Woodward Resource Center to a company co-owned by Ms. Schmitz. The testing we performed and the related findings are discussed in detail in the following paragraphs.

#### **PROCUREMENT PROCESS**

As previously stated, CPE is responsible for providing a system of uniform standards and specifications for purchasing and has established rules regarding competitive bidding procedures in the Iowa Administrative Code (IAC). The rules for the procurement of goods and services and purchasing standards for service contracts are contained in 11-IAC-117 and 11-IAC-118, respectively. In addition, DAS has developed a Service Contracting Guide and made the Guide available on its website.

When a state agency purchases services from a private entity, it is necessary to estimate how much the agency expects the services to cost. The administrative rules established by CPE for making a single purchase or purchases under a 1-year contract are summarized as follows:

- If the total value of the purchase or contract is less than \$5,000.00, purchasing agents are not required to use a competitive process for selecting a vendor. However, seeking competition is recommended to ensure the best value is obtained.
- If the total value of the purchase or contract is \$5,000.00 or more but less than \$50,000.00, purchasing agents are required to use either an informal or formal competitive process for selecting a vendor.
- If the total value of the purchase or contract is \$50,000.00 or more, a formal competitive process is required to be used to select a vendor.

For purchases made under a multi-year contract, the following rules are applicable:

- If the total value of the contract, including renewals, over the years is less than \$15,000.00, purchasing agents may enter into the contract without using a competitive process. A competitive process is recommended, although not required, to ensure the best value is obtained.
- If the total value of the contract, including renewals, over the years is \$15,000.00 or more but less than \$150,000.00, purchasing agents must use either an informal or formal competitive process for selecting a vendor.
- If the total value of the contract, including renewals, over the years is \$150,000.00 or more, a formal competitive process is required to be used to select a vendor.

To complete the formal competitive process to purchase services, an agency may issue a request for proposal (RFP). Although not used as frequently to purchase services as RFPs, an invitation to bid (ITB) or other formal solicitation document may also be used to purchase services. However, an agency would use an ITB instead of an RFP when price is the only factor to be used to select a vendor. The following evaluation criteria are often used to evaluate responses to RFPs received by an agency.

- Vendor's project approach and methodology
- Quality of project work plan
- Feasibility of the proposed schedule
- Description of proposed deliverables
- Project management and internal controls
- The vendor's staff qualifications and relevant experience
- References
- Project cost

In accordance with 11-IAC-117.7(1), agencies are required to post notice of every formal competitive bidding opportunity and proposal to a specific internet site operated by DAS. Alternatively, the agency may add a link to the agency's website which connects to the posting website.

Informal competitive procedures available to agencies are summarized in 11-IAC-118.9. In accordance with the IAC, when utilizing an informal competition, "the state agency may contact the prospective service providers in person, by telephone, fax, email or letter. When the state agency is not able to locate three prospective service providers, the state agency must justify contacting fewer than three service providers. The justification shall be included in the contract file." Informal competitive bidding opportunities and proposals may also be posted on or linked to the website.

In accordance with section 11-IAC-117.4(2), "Agencies may purchase from a targeted small business (TSB) without competition for a purchase up to \$10,000." Businesses which would like to be certified as TSBs apply to the Iowa Department of Inspections and Appeals (DIA). Certification of TSBs are renewed every 2 years. The recertification process allows DIA to ensure TSBs are currently in compliance with program eligibility standards. In order to be eligible for certification, a business must meet the following minimum requirements:

- Be located in the State of Iowa,
- be operated for a profit,
- have a gross income of less than \$4 million (computed as an average of the preceding three fiscal years), and
- be 51% or more owned, operated, and actively managed by a female, a minority group member, or a person with a disability.

Applicants are also required to submit certain documents to DIA during the application process, including, but not limited to, proof of minority, female and/or disability status; copies of applicable licenses, state or local certifications, registrations or proofs of competence; and bank documents. Corporations and LLCs applying to be TSBs are also required to provide copies of articles of incorporation.

In addition to being able to provide services to agencies for \$10,000 or less without completing the competitive procurement process, certified TSBs are eligible to apply for low-interest loans and equity grants through the Iowa Economic Development Authority (IEDA).

Agencies are required to notify TSBs of all solicitations at least 48 hours prior to the general release of the notice of solicitation, in accordance with 11-IAC-117.7.

Ms. Schmitz's job duties included providing training to agency staff on rules established by the IAC and the *Code of Iowa* regarding procurement. As a result, she was aware of what constituted formal and informal competitive procurement processes and she was familiar with the situations which allowed agencies to not complete the competitive procurement process. In addition to making purchases less than \$10,000.00 from TSBs, agencies are exempt from the competitive procurement process in emergency situations or when an agency can justify there is only one qualified vendor. Purchases made from Iowa Prison Industries or under certain current contracts, agreements or purchase orders issued by a governmental entity are also exempt from the competitive procurement requirement.

### **BLUEPRINT HOMES, LLC**

As previously stated, Ms. Schmitz co-owns Blueprint Homes, LLC (Blueprint Homes) with her husband, John Schmitz. Blueprint Homes' Articles of Organization were filed with the Secretary of State's Office (SOS) on December 29, 2003. A copy of the of the Articles of Organization obtained from the SOS website show they were signed by John Schmitz and Lois Schmitz on December 23, 2003. The Articles of Organization document both John and Lois Schmitz were listed as Managers and stated "Management of the Company is vested in" the Managers.

According to the Articles of Organization, the address of Blueprint Homes' principal office was a residential property in Urbandale, IA. Information obtained from the Polk County Assessor's website shows John and Lois Schmitz owned the home located on the property listed in the Articles of Organization from September 26, 2000 through December 16, 2012. According to Blueprint Homes' website, "Blueprint Homes and Remodeling is owned by the Schmitz family." The website also states Blueprint Homes employs "over 60 local people, representing more than 20 skilled trades." However, according to individuals we spoke with, Mr. Schmitz was a general contractor who subcontracted with various vendors. Because Blueprint Homes operated from Mr. and Ms. Schmitz's home, this appears reasonable.

On July 23, 2009, Blueprint homes was certified as a TSB. We reviewed the related application which described the nature of the business as "Construction." The application also documented the following in response to the request to specify exactly what would be sold: "General contractor – concrete, plumbing, electrical, painting, carpentry, roofing, windows, siding, masonry – brick & stone, cabinets & flooring." The application also documented its purpose was for "State Bids."

In the section of the application which listed all owners, John Schmitz was identified as a person with a disability and 51% owner of the business. In addition, Lois Schmitz was identified as a woman and 49% owner of the business.

We also reviewed BluePrint Homes' application for renewal of TSB certification dated July 11, 2011. Like the original application, the application for renewal documented the type of business as construction and John Schmitz as 51% owner and Lois Schmitz as 49% owner.

According to information found on the listing of TSBs located on the State of Iowa's website, BluePrint Homes' TSB certification was again renewed effective July 23, 2013. However, the on-line information shows the following:

**Table 1**

<b>Owners Name</b>	<b>TSB Type</b>	<b>Percent Owned</b>	<b>Ownership Date</b>
Lois Schmitz	Female	50%	12/29/2003
John Schmitz	Persons with Disabilities	50%	12/29/2003

As illustrated by the **Table**, the percentage of ownership between Lois and John Schmitz changed from the prior application. Both owners qualified for TSB, as a female owner and an owner with disabilities, respectively. According to a DIA representative, BluePrint Homes remains certified as a TSB because its joint ownership exceeds the 51% threshold to be eligible as a TSB.

According to documents found on the SOS website, BluePrint Homes was administratively dissolved on August 6, 2010 because the 2010 biennial report required by section 490A.131 of the *Code of Iowa* was not filed. BluePrint Homes' biennial reports for 2010 and 2011 were received by SOS on September 13, 2011, along with its application for reinstatement. The 2013 biennial report was filed with the SOS on January 10, 2013.

#### **SERVICES PROCURED FROM BLUEPRINT HOMES BY THE STATE OF IOWA**

Using the State's accounting system, we determined various state agencies procured goods and/or services from BluePrint Homes during fiscal years (FY) 2010 through 2013. **Table 2** summarizes the totals paid by each agency.

**Table 2**

<b>Agency</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>Total</b>
Woodward Resource Center	\$ 505,506.36	85,448.24	53,024.33	52,499.00	696,477.93
Dept. of Natural Resources	-	-	74,265.47	-	74,265.47
Iowa Public Television	-	-	250.00	-	250.00
General Services - Capitals	-	-	-	43,743.92	43,743.92
Iowa Law Enforcement Academy	-	-	-	7,428.50	7,428.50
Dept. of Administrative Services	-	-	-	4,670.00	4,670.00
Total	\$ 505,506.36	85,448.24	127,539.80	108,341.42	826,835.82

As illustrated by **Table 2**, Woodward Resource Center (WRC) paid \$696,477.93 to BluePrint Homes during fiscal years 2010 through 2013. Of this amount, \$505,506.36 was paid during fiscal year 2010. Using information from the State's accounting system, we also determined WRC paid the amounts and number of payments summarized in **Table 3** to other construction companies during fiscal years 2011 through 2013. WRC did not pay any other construction companies for comparable services during fiscal year 2010.

**Table 3**

<b>Fiscal Year</b>	<b>Number of Claims Paid</b>	<b>Amount Paid</b>
2011	1	\$ 255
2012	4	13,650
2013	2	9,457

We reviewed the claims and related documentation for the payments made by WRC to BluePrint Homes and identified a number of concerns with the claims for payments made during fiscal year 2010 and the first part of fiscal year 2011. The concerns we identified regarding the claims for payments made by WRC to BluePrint Homes are summarized below.

**Split Projects** – As previously stated, in accordance with section 11-IAC-117.4(2), “Agencies may purchase from a targeted small business (TSB) without competition for a purchase up to \$10,000.” We identified a number of payments by WRC to BluePrint Homes which were individually less than \$10,000.00, but appear to be a portion of a larger project for which WRC paid BluePrint Homes more than \$10,000.00 in total. The payments and projects are listed in **Exhibit A**.

As illustrated by the **Exhibit**, we identified 11 projects which were split into 54 claims paid by WRC. The claims total \$367,646.60. The **Exhibit** also illustrates the claims were paid by WRC between November 3, 2009 and August 13, 2010. In addition, the **Exhibit** illustrates some of the invoices were sequentially numbered and some of the invoices were issued with the same dates.

The following observations are of note:

- For the remodeling of 101 Franklin (a building on the WRC campus), we identified 18 payments by WRC between December 30, 2009 and May 5, 2010 which total \$111,825.86. A number of the 18 payments included the notation “Scope of work 101 Franklin Remodeling Project.” In addition, 7 included a notation made by the vendor on the invoice which indicated the sequence of the work billed. The 7 invoices are summarized in **Table 4**.

By reviewing the claims, it was obvious the remodeling of 101 Franklin had been split into a number of claims, each of which was less than \$10,000.00. We are unable to determine why WRC officials permitted this practice. It is possible they may have avoided the competitive bidding process because it was easier. It’s also possible they wanted to ensure the jobs were awarded to BluePrint Homes. We are unable to determine if BluePrint Homes provided any financial or other incentives to WRC officials for the projects awarded to the vendor.

**Table 4**

Partial Description per Invoice	Invoice Number	Transaction Number	Amount
#1 Demo walls/drywall per plan for 6 existing door openings Demo existing door frames Remove 8 built-in wardrobes and 1 set of closet shelving Frame 126' of interior walls.	169	11180900579	\$ 7,733.00
#2 Rough in new electrical in rooms... Install and tape ½" drywall on new framed walls and closets	190	11180900578	9,600.00
#3 Paint: 2 coats on all walls up to 10 feet high...	222	11180900577	8,757.00
#4 Paint: 2 coats on all walls over 10 feet high...	192	11180900576	4,380.00
#5 Repair existing drywall damage, both ceilings and walls Spray texture as needed to walls and ceilings Paint: 2 coats on ceilings, both new and existing	193	11180900575	9,995.00
#6 Prep and paint 41 existing metal doors Prep and paint 18 new metal doors Paint existing window casing	223	11180900574	9,840.00
#8 Remove existing 6" wood base in common areas Install 6" vinyl base in common areas	213	11180900572	4,500.00
Total			<u>\$ 54,805.00</u>

- On July 14, 2010, WRC paid BluePrint Homes \$5,543.33. The related invoice was dated April 22, 2010 and stated, in part, "Work preformed (sic) before Stop Order on E-Home." The invoice described services and materials provided by BluePrint Homes, including steel studs, insulation, drywall, and demolition of plumbing, electrical and center hallway. The invoice, which was signed by Mr. Schmitz, also included the statement, "For goods and services received or preformed (sic) on 4/21/10."

We also observed an e-mail from Doug Monahan, WRC Facilities, to the WRC Purchasing Agent which requested a purchase order for the invoice. The e-mail stated, "This is for thing ordered and here and for work done on Ehome project when I stopped it to bid out." The e-mail demonstrates Mr. Monahan had not followed proper procurement procedures by obtaining a purchase order prior to obtaining materials and services and he had not previously bid out a project which required competition. We are unable to determine if Mr. Monahan subsequently obtained bids for the project.

On July 28, 2010, WRC made a \$9,846.16 payment to BluePrint Homes. The related invoice documents the payment was for work performed to the second floor of the Ehome. Specifically, areas to drywall included the East and West wing hallways, 4 restrooms, 3 West wing offices and 2 East wing offices. Based on the documentation provided by WRC, the work was not competitively bid.

- On March 2, 2010, WRC made 2 payments to BluePrint Homes for work related to sprinklers. The payments were for \$9,711.59 and \$4,760.14. While neither payment exceeded the \$10,000.00 limit for procuring services from a TSB without competition, the total cost of the project exceeded \$10,000.00. The 2 invoices were sequentially numbered and dated February 16, 2010. Each invoice had its own quote. The quotes were also sequentially numbered and dated January 8, 2010. Copies of the quotes and invoices are included in **Appendix 1**.

- On February 25, 2010, WRC paid BluePrint Homes \$5,580.00 for installing windows at Linden Court. WRC issued 5 additional payments to BluePrint Homes between June 4, 2010 and July 7, 2010 for windows at Linden Court. The related invoices are listed in **Table 5**.

**Table 5**

Partial Description per Invoice	Invoice Number	Invoice Date	Amount
Scope of Work Replace existing Aluminum Windows in Linden Court A Includes: delivery from storage to Linden Court and all installation labor 9 Single units at grade 9 Single unit (sic) on second floor Partial Billing: Courtyard windows will be install (sic) once the snow has melted	178	01/15/10	\$ 5,580.00
Scope of Work Replace existing Aluminum Windows in Linden Court D Includes: delivery from storage to Linden Court and all installation labor 16 Single units at grade 16 Single unit (sic) on second floor	252	05/26/10	9,920.00
Scope of Work Replace existing Aluminum Windows in Linden Court C Includes: delivery from storage to Linden Court and all installation labor 16 Single units at grade 16 Single unit (sic) on second floor	253	05/26/10	9,920.00
Balance of Windows Linden CT Wing A. 7 ground level window (sic) 7 Second floor windows	254	05/26/10	3,780.00
Scope of Work Replace existing Aluminum Windows in Linden Court B Includes: delivery from storage to Linden Court and all installation labor 16 Single units at grade 16 Single unit (sic) on second floor	255	05/26/10	8,640.00
Extra Labor to frame in openings on Wings A" (sic) and "B"	257	05/27/10	5,432.93
Total			<u>\$ 43,272.93</u>

As illustrated by the **Table**, rather than treating the project as a single event, it was split up in a manner which did not result in any of the related payments exceeding \$10,000.00.

- As illustrated by **Exhibit A**, WRC issued 2 payments to BluePrint Homes on August 11, 2010. The related invoices were sequentially numbered and issued on July 22, 1020. Both invoices described painting services provided. The total of the 2 invoices exceeds the \$10,000.00 limit for procurements from TSBs without competition. Copies of the invoices are included in **Appendix 2**.
- Between June 16, 2010 and August 13, 2010, WRC issued 6 payments to BluePrint Homes for tuck-pointing services on various buildings. The quotes for 5 of the 6 payments were dated May 24, 2010 and the remaining quote was dated May 14, 2010. As a result, it is apparent WRC knew tuck-pointing services were needed for all 6 buildings. The payments are listed in **Table 6**.

**Table 6**

<b>Date Paid</b>	<b>Transaction Number</b>	<b>Partial Description per Invoice</b>	<b>Amount</b>
06/16/10	05171001409	Tuck Pointing a (sic) the East wall of purchasing	\$ 9,980.00
06/25/10	05261001477	Tuckpointing Westwood Building	10,000.00
07/19/10	05261001475X	Tuckpointing "E-homes" Building	9,988.00
07/28/10	05261001476X	Tuckpointing "Hemlock" Building	10,000.00
07/29/10	05261001479X	Tuckpointing "Chapel" Building	9,980.00
08/13/10	05261001478	Tuckpointing "Larches" Building	9,917.00
Total			<u>\$ 59,865.00</u>

As illustrated by the **Table**, each payment was at, or within \$100.00 of, the \$10,000.00 limit for awarding to a TSB without competition.

Based on our review, the invoices listed in **Exhibit A** were improperly split by WRC officials. As previously stated, we are unable to determine why WRC officials permitted this practice. It is possible they may have avoided the competitive bidding process because it was easier. It's also possible they wanted to ensure the jobs were awarded to BluePrint Homes. We are unable to determine if BluePrint Homes, Mr. Schmitz and/or Ms. Schmitz provided any financial or other incentives to WRC officials for the projects awarded to BluePrint Homes.

**Cost of Goods/Services** – During our review of payments made by WRC to BluePrint Homes, we identified several claims for which the cost of goods and/or services raised concerns. The concerns identified are summarized below:

- WRC issued 2 payments to BluePrint Homes on March 17, 2010. Both payments were for Medite® boards. The invoices for the payments are summarized in **Table 7**.

**Table 7**

<b>Partial Description per Invoice</b>	<b>Invoice Number</b>	<b>Invoice Date</b>	<b>Amount</b>
Quantity: 140 Medite Board 101 Franklin Remodel ½"x48"x72" Medite FR Panels 30 Day lead time required	195	03/08/10	\$ 9,520.00
Quantity: 40 Medite Board Stock order for various applications ½"x48"x72" Medite FR Panels 30 Day lead time required	196	03/08/10	2,750.00

As illustrated by the **Table**, the invoices were sequentially numbered and include the same date, which indicate the transaction was split. However, the cost of the Medite® boards varied between the invoices. For invoice number 195, WRC paid \$68.00 per board. For invoice number 196, WRC paid \$68.75 per board. It is unclear why WRC would be charged different rates for the same product on the same date.

- On July 12, 2010, WRC paid BluePrint Homes \$9,416.67 for repair to the “north and south corners on east wall of the schools (sic) gym.” According to the invoice, the labor costs for the project totaled \$6,197.92. The invoice also listed materials for the project, which included:

- 29 bags of plaster
- 4 gallons of bonding agent
- 73 pcs metal lath
- 4 bags of zipcrete

The invoice did not include individual prices for the materials, but WRC paid a total of \$3,218.75 for the materials. Using prices found during an internet search, we estimate the cost of the materials described should total approximately \$1,700.00.

- Table 5** lists 6 invoices for which WRC paid BluePrint Homes for installation of windows in Linden Court. As illustrated by the **Table**, 1 invoice was for “extra labor to frame in openings” and 5 were for delivery of the windows from storage to the job site and labor to install the windows.

Of the 5 invoices for window replacement, 4 were sequentially numbered and dated May 26, 2010. While the invoices were for the same services and prepared on the same date, the amounts charged varied between invoices. The 5 invoices are summarized in **Table 8**.

<b>Invoice Number</b>	<b>Partial Description per Invoice</b>	<b>Price Per Window</b>	<b>Price Quoted Per Window</b>
178	Scope of Work Replace existing Aluminum Windows in Linden Court A		
	9 Single units at grade	\$ 265.00	225.00
	9 Single unit (sic) on second floor	355.00	315.00
252	Scope of Work Replace existing Aluminum Windows in Linden Court D		
	16 Single units at grade	265.00	265.00
	16 Single unit (sic) on second floor	355.00	355.00
253	Scope of Work Replace existing Aluminum Windows in Linden Court C		
	16 Single units at grade	265.00	265.00
	16 Single unit (sic) on second floor	355.00	355.00
254	Balance of Windows Linden CT Wing A.		
	7 ground level windows	225.00	225.00
	7 Second floor windows	315.00	315.00
255	Scope of Work Replace existing Aluminum Windows in Linden Court B		
	16 Single units at grade	225.00	225.00
	16 Single unit (sic) on second floor	315.00	315.00

As illustrated by the **Table**, the amounts billed to WRC varied between \$225.00 and \$265.00 for installation of windows on the ground floor and \$315.00 and \$355.00 for installation of windows on the second floor. As also illustrated by the **Table**, the amount paid by WRC exceeded the amount quoted by BluePrint Homes per window for invoice number 178. It is not clear why varying amounts would be billed for the same service.

- On December 3, 2012, WRC paid BluePrint Homes \$9,988.00 to paint 44 primed steel exterior doors. According to BluePrint Homes’ invoice, the paint was provided by WRC. This amount paid to BluePrint Homes averages \$227.00 to paint each door, which appears unusually high.

**Invoice Dates** – We identified 2 invoices for which the invoice date preceded the date services were reported to have been performed. **Appendix 3** includes copies of invoice numbers 279 and 280. As illustrated by the **Appendix**, invoice numbers 279 and 280 dated July 6, 2010 state, “services were received or performed on” July 8, 2010 and July 11, 2010, respectively. The invoices were paid by WRC on July 19, 2010.

We also identified a number of invoices which stated services were received or performed on the same date as the invoice date. Vendors don’t typically prepare invoices the same day services are provided, especially if a subcontractor is used for the job. Typically, the vendor will obtain an invoice from the subcontractor before billing the client.

**Emergency Procurement** – We identified 1 invoice which stated services were procured on an emergency basis. The invoice stated, “Supplied and installed 4” plastic drain tile on four buildings as temporary downspout.” It is unusual 4 buildings would have the same emergency situation simultaneously. WRC paid BluePrint Homes \$541.66 for the services on June 7, 2010. On October 19, 2010, WRC paid BluePrint Homes \$2,466.67 to replace plastic drain tile down spouts with 24 GA 4” x 5” open down spouts. The quote for the second payment was dated May 18, 2010, which is the same date as the quote for the emergency repair.

Chapter 11-105 of the IAC specifies an emergency procurement is to be avoided unless clearly necessary and justifiable. The IAC also specifies the emergency procurement must be a result of the following circumstances:

1. “Threatens public health, welfare or safety; or
2. In which there is a need to protect the health, welfare or safety of persons occupying or visiting a public improvement or property located adjacent to the public improvement; or
3. In which the department or agency must act to preserve critical services or programs; or
4. In which the need is a result of events or circumstances not reasonably foreseeable.”

Agencies required to make an emergency procurement are required to prepare written justification regarding the purchase, including which of the circumstances listed above apply, the item purchased, its function, and how the agency determined the vendor’s price was reasonable. We were unable to locate any written justification prepared by WRC officials for the temporary down spouts. As a result, WRC did not comply with procurement requirements established by DAS.

**Timeline of Relevant Events** - In addition to the concerns identified with the claims, we identified the following factors which affect the purchases made by WRC from BluePrint Homes:

- 07/20/09 – Doug Monahan began employment at WRC as the Plant Operations Manager. His duties included procuring goods and services to maintain the physical infrastructure of buildings on the WRC campus.
- 07/23/09 – BluePrint Homes became a TSB. State agencies, including WRC, are allowed to purchase up to \$10,000.00 of goods and/or services from TSBs without following a competitive procurement process.
- 06/03/10 – A series of e-mails were sent between the Iowa Department of Economic Development’s (IDED’s) (now the Iowa Economic Development Authority) TSB representative, the DAS Procurement System Coordinator and

Ms. Schmitz which demonstrates Ms. Schmitz took a role in answering questions regarding procuring goods and/or services from TSBs. They demonstrate Ms. Schmitz did not make an effort to inform other State employees with roles regarding TSBs she was a co-owner of BluePrint Homes.

The e-mails demonstrate Mr. Schmitz asked whether it was appropriate to split projects so the cost will not exceed \$10,000.00. By early June 2010, BluePrint Homes had already provided a number of invoices to WRC for jobs which had been split in order to avoid the \$10,000.00 threshold which would have required WRC to complete a competitive procurement process.

Mr. Schmitz sent an e-mail to IDED's TSB representative with a number of questions. Prior to responding to Mr. Schmitz, the IDED employee forwarded the questions to Ms. Schmitz and the DAS Procurement System Coordinator with the following message, "I wonder if you two might be able to help me respond to SOME of this man's questions." From the message, it is apparent the IDED employee was not aware of the relationship between Mr. Schmitz and Ms. Schmitz.

The e-mail from Mr. Schmitz stated, "I ask you to consider some special payment terms for TSB's, after all we are small business and don't have the resources necessary to live with the existing terms." According to Mr. Schmitz's e-mail, he has "vendors and subcontractors to pay when the material is delivered or the work preformed [sic]. They are not willing to wait 3 to 5 months from the start of the job to some point in the future when the State pays me."

The DAS Procurement System Coordinator suggested a response to the request which the IDED employee provided to Mr. Schmitz. Specifically, it was recommended he work with the agency/project contact person and request to be paid with the procurement card, which would allow him to receive his payment in 24-36 hours from the time the card is charged.

Some of the remaining questions in the e-mail and related responses are summarized in part in the following paragraphs.

Q: Is it permissible for any of the State of Iowa entities to break a large job down into smaller jobs so it comprises multiple projects under the \$10,000 TSB cap?

A: There is no \$10,000 cap. TSBs can and should bid on any size job they feel qualified to handle. The \$10,000 is a threshold which allows the purchasing agent to buy DIRECTLY from a TSB without competitively bidding the job out. So, if a job is under 10k, the purchasing agent can buy directly from a TSB. However, if the job is OVER 10k, the purchasing agent will have to bid that job out competitively and the TSB will have to compete for the job with others.

Q: What should I do when I'm awarded a project and while working on that project additional work is added which puts me over the \$10,000 Cap? How should I handle this?

A: Again, there is no \$10,000 cap in the TSB program. If you are awarded a project and it goes over what you bid because additional work is agreed on, so be it. You don't need to do anything.

Q: Is there a \$1,000,000 lifetime cap on the amount of business the State of Iowa can do with a TSB? Yearly?

A: There is NO lifetime cap or yearly cap on the amount of business the State of Iowa agencies can do with various TSBs.

The only portion of the e-mail which the DAS Procurement System Coordinator responded to was related to the timely payment request. Ms. Schmitz only responded to a question regarding the applicability of a surety bond. She did not disclose her relationship with Mr. Schmitz.

As stated previously, certain projects at WRC were split to avoid the \$10,000.00 competitive bid requirement. As illustrated by **Exhibit A**, a number of projects were split prior to Mr. Schmitz inquiring about the permissibility of breaking large jobs into smaller jobs comprised of multiple projects under \$10,000.00. However **Exhibit A** also includes invoices dated after Mr. Schmitz received the response that any job exceeding \$10,000.00 is to be competitively bid. Specifically, invoices for tuckpointing and painting at WRC were dated in late June 2010 and July 2010. None of the invoices exceed \$10,000.00.

As a vendor, it was not Mr. Schmitz's responsibility to ensure WRC officials complied with bidding requirements. WRC officials were responsible for compliance with procurement requirements. We are unable to determine if Mr. Schmitz shared information regarding WRC's splitting of projects with Ms. Schmitz.

Because Mr. Schmitz's wife was a Procurement Officer and provided training to agencies which directly addressed the types of questions Mr. Schmitz posed in his e-mail, it is unclear why he did not ask Ms. Schmitz these questions.

To clarify the response in the e-mail regarding the cost of additional work resulting in exceeding the \$10,000.00 cap, vendors should notify the agency prior to exceeding the agreed upon or estimated cost of the contract. In addition, agency officials should approve the additional work or changes in the scope of work prior to its performance.

- 06/24/10 - WRC Business Manager Ruth Ashton retired. An interim Business Manager was appointed.
- 08/26/10 - Barb McMenaman became the WRC Business Manager.
- 09/24/10 - Doug Monahan was placed on administrative leave.
- 11/04/10 - Doug Monahan was dismissed from employment with WRC. We reviewed Mr. Monahan's personnel file, but related documentation had been purged and WRC staff were unable to provide additional information regarding his dismissal from employment.

During our review, we determined the payments WRC made to BluePrint Homes were not compliant with competitive procurement requirements. We also determined the number of projects for which WRC engaged BluePrint Homes decreased significantly after Mr. Monahan left WRC's employment.

## **INFORMATION OBTAINED FROM INTERVIEWS AND AFFIDAVITS**

During the internal investigation initiated by the former Chief Operating Officer of CPE, several individuals were interviewed. We reviewed transcripts of the interviews and have summarized relevant information from the interviews below. We also obtained and reviewed affidavits submitted by Mr. and Ms. Schmitz and Doug Monahan.

- February 4, 2013 interview with WRC Purchasing Agent Jody McNaughton:

When asked what concerns she had regarding purchases made by WRC, she stated she had expressed her concerns to Ruth Ashton (WRC's Business Manager prior to June 2010) and Doug Monahan (WRC's Plant Operations Manager prior to November 2010). She also specified she was concerned projects were split to remain below the \$10,000.00 price range. During the interview, Ms. McNaughton stated Ms. Ashton told her, 'My name is on it and it will be okay' when Ms. McNaughton voiced her concerns proper procurement procedures had not been followed.

Ms. McNaughton also reported she received e-mails from Mr. Monahan which requested she issue a purchase order for work which had already been completed. During our review of documentation related to payments WRC made to BluePrint Homes, we observed e-mails of this nature. Based on the content of the e-mails, it was apparent goods and/or services had been procured from BluePrint Homes prior to obtaining a purchase order.

- February 4, 2013 interview with WRC Business Manager Barb McMenamin:

When asked how it is determined what goes into a single purchase order or how it is determined when work goes on different purchase orders, WRC Business Manager McMenamin stated, "The rule is supposed to be that, if you're talking to targeted small business, the project can be up to \$10,000.00. That was one of the things that I changed that I know when I started, our purchasing agent came to me and felt very uncomfortable about how things were handled previously and her feeling a lack of support from my predecessor, that there were projects that were combined together that shouldn't have been – that she felt, and she brought that up to my predecessor."

In response to additional questions, WRC Business Manager McMenamin stated, projects "had gone to one vendor but yet, it was broke down \$10,000.00 here, \$10,000.00 here, \$10,000.00 here, \$10,000.00 here. So that's one thing that we did put in place when I started, that we did a review that – because it could have been in a same building and maybe this project was to paint the walls and in the same building, maybe this project was to put the floor down. The reality is, in my book, the project was to remodel the building and so that should have been one larger project and bid out and that was not happening before my time and that was very upsetting to our purchasing agent because she felt like her hands were tied even though she brought it up to her boss at the time." She also specified her boss at the time would have been Ruth Ashton, the former WRC Business Manager.

- February 5, 2013 interview with Debbie O'Leary, who supervised the procurement area of DAS prior to August 2012:

When asked if she had a conversation with Ms. Schmitz about BluePrint Homes doing business with state agencies, she stated she had. She said a concern had been raised by a DAS purchasing agent regarding work Ms. Schmitz's husband had been doing at WRC. According to the transcript of Ms. O'Leary's interview, the concern was raised as the purchasing agent was retiring. According to the Human Resource Information System (HRIS), the purchasing agent retired on June 24, 2010. As a result, it appears the concern was brought to Ms. O'Leary's attention prior to June 30, 2010.

Ms. O'Leary also stated she talked to the WRC Business Manager and WRC staff involved in purchasing about the purchasing agent's concern. She stated WRC officials told her BluePrint Homes was a TSB which had been "doing work" for WRC. When she asked if Ms. Schmitz had any involvement with BluePrint Homes getting the jobs, they said no.

Ms. O'Leary also stated during her interview there was a purchasing agent at WRC who "wasn't happy with the work that he was doing." According to the interview transcript, Ms. O'Leary stated, "I made it clear to them [WRC officials] that if that was the case, then they shouldn't hire him – they just shouldn't hire him. And gave them pointers on how to terminate him and that type of thing." Based on the information WRC Purchasing Agent Jodi McNaughton provided during her interview with DAS officials, she was not concerned with the quality of the work performed by BluePrint Homes. Instead, she was concerned about the manner in which goods and services were procured. Orders were split to fall below the \$10,000.00 limit for competitive purchasing requirements and goods and services were procured prior to obtaining purchase orders.

Ms. O'Leary's interview transcript also stated, "Then I reported that back to Pat [Lantz] and I believe she took it to the Director too, to make sure that there wasn't any conflict. There wasn't a big process that was being conducted because they were under \$10,000. And it was generated by the Department and he [John Schmitz] responded like any other vendor would and I didn't find any involvement from Lois in that."

During the interview held on February 5, 2013, the interviewer asked Ms. O'Leary, "Did you ever review any documentation from Woodward or did you look at the bids or did you know how much work they were doing or -". Ms. O'Leary did not directly answer the question. According to the transcript of the interview, she stated, "Seems I did at one point, I think I did. I noticed a – I did and I don't remember how much." The interviewer also asked, "You knew the dollar amount or did you actually review the documentation?" Ms. O'Leary's response was, "I think [I] looked. I had somebody pull up and read how much shipments done with – I didn't think it was Blueprint Homes though. That name just – I don't know. Anyway, I asked and we got some information about how much or maybe Woodward told me – I don't even – I know I had an idea how much it was." When asked if she remembered it being a lot, Ms. O'Leary stated, "No, I want to say \$40,000.00 and I don't know how long that was either. But I don't remember it being very much."

Based on our review of the payments WRC made to BluePrint Homes, purchases were split to avoid the \$10,000.00 limit in early calendar year 2010, which was prior to the apparent timing of Ms. O'Leary's review. If Ms. O'Leary had reviewed any of these claims, it should have been apparent they were split to avoid the competitive procurement requirement. Also, as previously stated, WRC paid BluePrint Homes over \$500,000.00 during fiscal year 2010. It is unclear why Ms. O'Leary would believe WRC had spent only \$40,000.00.

The transcript from Ms. O'Leary's February 5, 2013 interview also documents Ms. O'Leary stated after she did not find any involvement by Ms. Schmitz in WRC procurements from BluePrint Homes, "Then I talked to her [Ms. Schmitz] about conflict of interest and removing herself if there were any or letting me know if there was any involvement or process that – she didn't do goods for DAS procurement. So she was a little removed from that too, but we talked about potential conflicts of interest and removing herself if there were any potential conflicts."

The transcript from Ms. O'Leary's February 5, 2013 interview also documents she was provided a copy of section 68B.3(5) of the *Code of Iowa* and was asked about her understanding of it. She stated, "Oh these are so convoluted. Oh gosh, let's see – so if there's a permissible sale – there's a reporting requirement – so the employee making a sale – I just don't know if that applies to a spouse of an employee is what – I think in my own situation where my husband works for a company that does business with the Treasurer's Office. I never even thought that I would ever need to report anything on that." When asked if she was a part owner of the company her husband works for, she stated, "No. But it doesn't really say – I just don't know what it means." It is unclear why a supervisor in Ms. O'Leary's position would not have a clear understanding of the requirements established by the *Code* section.

The applicability of section 68B.3 of the *Code* is addressed in a subsequent section of this report.

- February 12, 2013 interview with Debbie O'Leary, who previously supervised the procurement area of DAS:

On February 12, 2013, DAS officials conducted a follow-up interview with Ms. O'Leary. Part of the discussion focused on section 68B.3 of the *Code*. Specifically, the interviewer asked Ms. O'Leary if it was still her feeling that section 68B.3 did not apply to Ms. Schmitz. In response, Ms. O'Leary stated, "You know, if - the way I read it, it's the state employee that sells. It's not – if it's - if she as a state employee approaches an agency and sells something, then it looks - then it could be a conflict of interest because she's using her position as a state employee to get somebody to buy something, but when it's a spouse, I just don't see that this is applicable."

When asked if this *Code* section would have been reviewed at the time she assessed Ms. Schmitz's actions, she stated, "You know, this is pretty obscure in my - I - I - no, it would not have." It is unclear how Ms. O'Leary could have conducted a complete, proper review of concerns regarding Ms. Schmitz's actions without considering requirements established by section 68B.3 of the *Code*. Ms. O'Leary's consideration of requirements established by section 68B.3 of the *Code* should have included consideration Ms. Schmitz was a co-owner of Blueprint Homes.

- February 12, 2013 interview with Lois Schmitz:

On February 12, 2013, DAS officials conducted an interview with Ms. Schmitz. During the interview Ms. Schmitz stated, "I think for tax purposes I'm probably considered a part owner [of Blueprint Homes]." She also stated, "The only thing I deal with on Blueprint Homes is if he [Mr. Schmitz] builds a new home or an addition, sometimes the clients want some assistance with granite, picking out granite, or picking out cabinets. That's pretty much what I do. I sometimes draw in the electrical plans because I know where electrical outlets should be so that you don't have cords stretched from across the room, but I don't do anything other than homes and additions to homes or kitchens."

Ms. Schmitz also stated she did not provide any assistance like that for any state agency. Previously, Ms. Schmitz had stated she was not involved in any of Blueprint Homes' operations.

- July 19, 2013 affidavit signed by Lois Schmitz:

Ms. Schmitz's affidavit states she and her husband "co-own Blueprint Homes on a 50-50 basis." It also stated, "I am not involved in the day-to-day operations of Blueprint Homes. I have never been involved in selling any goods or services provided by

BluePrint Homes to the State of Iowa. I do not review invoices, handle bills, endorse checks and have never reviewed any bids made by BluePrint to the State of Iowa or any of its agencies. I was never involved in the bidding process by BluePrint Homes at Woodward Resource Center and was not aware that Woodward Resource Center had directed BluePrint Homes to split bids into increments of less than \$10,000.00.”

In addition, the affidavit states, “In 2009, I told my immediate supervisor Deb O’Leary, then DAS-GSE Procurement Manager, that my husband John was a newly certified TSB. O’Leary assured me at that time that there was no conflict of interest because I did not conduct or evaluate bids for any vendors including BluePrint. In June 2010, an anonymous complaint was filed regarding an alleged conflict of interest with respect to the work that BluePrint Homes was doing at WRC. The conflict was brought to the attention of Pat Lantz, then DAS-General Counsel and DAS-General Services Enterprise COO. O’Leary investigated the matter further and met with both Lance [sic] and DAS Director Ray Walton. After O’Leary conducted her investigation, she again told me that no conflict of interest existed.”

As stated in Ms. Schmitz’s affidavit, she disclosed to Ms. O’Leary her husband was a newly certified TSB. However, she should have also disclosed she was co-owner of the business and was listed in the TSB certification.

- July 12, 2013 affidavit signed by John Schmitz:

Mr. Schmitz’s affidavit stated, “At various times, including 2010, BluePrint Homes did work for Woodward Resource Center. Some of the work for the bids was split into increments of less than \$10,000. However, the splitting of bids was not proposed, or in any manner suggested, by BluePrint Homes. Instead, the bids were split at the direction of WRC.”

- July 12, 2013 affidavit signed by Doug Monahan:

“Upon arrival at WRC in July of 2010 it was brought to my attention the lack of upkeep to the current facilities and the need for immediate attention to repairs. I was instructed by my supervisor, Business Manager – Ruth Ashton to contact businesses off the “Targeted Small Businesses” list and get bids on projected repairs and projects.

Over the following weeks I contacted several of the listed businesses with only one responding. John Schmitz from Blueprint homes [sic] contacted me and we arranged a meeting. John was introduced to our Business Manager, Ruth Ashton, as well as our Purchasing Manager, Jody McNaughton. It was understood at that time since we were using a company off of the “Targeted Small Business” list that three bids would not be necessary if the bid was under the 10k cap.

Blueprint was given various jobs to do with all the purchase orders submitted by myself, approved by the [sic] Ruth Aston [sic] and completed by Jody McNaughton the Purchasing Manager. When larger projects would come up (such as complete window replacement in various buildings) I would seek out additional bids, usually three. Blueprint [sic] would sometimes have the lowest bid and other times they would not. If Blueprint [sic] did not have the lowest bid other vendors were given the job and completed the work.

There were occasions when the purchase orders were split up so that we would come in under the 10k cap. This was when work needed to be done in a timely fashion and not be held up by “red tape”. Myself, Ruth Ashton (Business Manager) and Jody McNaughton (Purchasing Manager) were all involved in these conversations. Neither John Schmitz nor anyone affiliated with BluePrint Homes suggested that the bids be split into increments of less than \$10,000.

An example would be a project bid at 19k could be broken down over two purchase orders, one for labor at \$9700.00, and one at \$9300.00 for materials. This would bring both in fewer than the 10k cap. Immediate approval could then be done, and the project would be completed in a timely fashion. This procedure was also followed for vendors other than Blueprint [sic] Homes.

Mr. Monahan stated, in part, in his affidavit, “When larger projects would come up I would seek out additional bids, usually three.” During our review of WRC disbursements, we identified only a few instances in which bids were sought from vendors in addition to Blueprint Homes. In these instances, Blueprint Homes was awarded the job. Mr. Monahan was employed by WRC from July 20, 2009 to November 4, 2010, even though he was placed on leave on September 24, 2010. During this period, WRC did not make any sizable purchases from any other construction companies. As previously stated, WRC did not pay any other construction companies for comparable services during fiscal year 2010 and only \$255 was paid to other vendors during fiscal year 2011. As a result, Mr. Monahan’s statement regarding WRC contracting with vendors other than Blueprint Homes does not appear accurate.

Based on our review of WRC disbursements, it is apparent a number of projects were split to avoid the competitive procurement requirements and were awarded to Blueprint Homes without any competition. However, we are unable to determine if the projects were split at the direction of WRC officials, as a result of urging by the owner(s) of Blueprint Homes, or a combination of both possibilities. We are also unable to determine if the cost of the projects was inflated as a result of the lack of competition. Regardless of the party who initiated the split projects, it was the responsibility of WRC officials to ensure goods and services were properly procured.

## **TRAINING**

As stated previously, Ms. Schmitz demonstrated on several occasions and in several manners her knowledge regarding requirements established by the *Code of Iowa* and the Iowa Administrative Code regarding procurement of goods and services by state agencies.

According to DAS officials we spoke with and documentation they provided, Ms. Schmitz also demonstrated her knowledge of these requirements when she provided training to state employees responsible for making purchases for the agencies they were employed by.

We reviewed the training materials used during training sessions which Ms. Schmitz participated in as a presenter. In addition to information regarding procurement requirements established by the *Code of Iowa* and the Iowa Administrative Code, the materials covered included the following topics and materials:

- Ethical conduct,
- Code of Ethics,
- “What would you do?” scenarios, and
- Articles regarding government officials whose actions were questioned as a result of procurement decisions made.

The agenda for a presentation made in December 2009 shows Ms. Schmitz presented the following components of the training:

- Procurement Rules Review
- Formal Bid Timeline

- RFP [request for proposal] Template - Tools
  - Service Terms and Conditions
  - GSE Requisition Template
  - RFP Bid Checklist
  - Checklist for Fairness and Transparency
  - Confidential Information
  - Intent to Award
  - Rescind Award Notice
  - Delegated Agency Authority
  - Guide for Bid Type Usage and Time Frames
  - Contacts
  - Resources

Because Ms. Schmitz provided training of this nature to agencies' procurement staff, it is apparent she was well-versed in the proper methods to procure goods and services.

Ms. Schmitz described her job duties in her profile on "LinkedIn" as, "I manage all e-Procurement software used by Iowa's central procurment (sic) division. I answer questions regarding State of Iowa cod [sic] and rules. I work with Iowa's agencies on rule and code compliance." The e-mails referred to previously also demonstrate her involvement in responding to questions from employees of state agencies.

## **COMPLIANCE WITH CHAPTER 68B**

Section 68B.3(1) of the *Code of Iowa* generally prohibits a state employee from selling, in any one occurrence, any goods or services having a value in excess of \$2,000.00 to any state agency unless the sale is made pursuant to an award or contract let after public notice and competitive bidding (emphasis added). While an amendment to the *Code* section in 2010 allows such sales when "part of official state duties," Ms. Schmitz's duties involved providing training, not procuring goods or services on behalf of WRC. Therefore, the exception contained in section 68B.3(1) of the *Code* does not apply to the transactions between BluePrint Homes and WRC.

Based on our review of the purchases WRC made from BluePrint Homes, a number of payments to BluePrint Homes exceeded the \$2,000.00 threshold established by the *Code*. In addition, a number of the purchases were not made pursuant to an award or contract let after public notice and competitive bidding. According to WRC officials, the purchases were not required to go through the competitive procurement process because they were made from a TSB for less than the \$10,000.00 limit. However, because the threshold established by section 68B.3 of the *Code* is less than the \$10,000.00 TSB limit, WRC should have complied with the requirements established by that *Code* section. According to a WRC purchasing agent, WRC officials were aware BluePrint Homes was operated by Ms. Schmitz's husband.

While we did not find any evidence Ms. Schmitz personally "sold" goods and/or services on behalf of BluePrint Homes, as the co-owner, she had a vested interest in the business. Because BluePrint Homes was co-owned by Ms. Schmitz, the business should have been prohibited from selling goods and/or services to state agencies unless it was in compliance with the requirements established by 68B.3(1) of the *Code*.

Effective March 19, 2010, section 68B.3(5) of the *Code* also states: "Except when performing official state duties, an official or a state employee making a permissible sale under this section shall file a report with the board [Iowa Ethics and Campaign Disclosure Board] within 20 days of

making the sale. The report shall include but not be limited to the parties to the sale, the date of the sale, the total amount of the sale, and the type of goods or services being sold.”

Once this requirement was applicable, Ms. Schmitz should have filed the applicable reports with the Iowa Ethics and Campaign Disclosure Board in a timely manner. We identified a number of payments WRC made to BluePrint Homes after the effective date of section 68B.3(5) of the *Code* for which Ms. Schmitz did not file a report. These purchases, as well as purchases WRC made from BluePrint Homes prior to March 19, 2010, did not comply with section 68B.3(1) of the *Code*.

Prior to Ms. Schmitz’s termination from DAS employment, DAS-HRE officials contacted the Iowa Ethics and Campaign Disclosure Board and discussed the investigation informally with the Director, Megan Tooker. According to an arbitration decision and award in the matter of arbitration between DAS and the American Federation of State, County and Municipal Employees (AFSCME) Council 61, Local 3450, representing Ms. Schmitz, the DAS-HRE investigators advised Ms. Tooker the investigation disclosed Ms. Schmitz took no official action with respect to the contracts between BluePrint Homes and the State. The decision also stated Ms. Tooker concluded Ms. Schmitz “at least had owed the Board a report.” The decision also stated, “As to whether the prohibition of 63B.3 applies not only to a state employee individually, but also to a business entity partly owned by a state employee, Ms. Tooker thought it did. There has been no formal opinion and no other formal rule or finding to that effect.”

In an e-mail communication from Ms. Tooker to DAS officials in January 2013, Ms. Tooker stated, in part, “It is my opinion that section 68B.3 applies to sales from both state employees as well as their closely held businesses. In other words, I am concerned that the Ethics Board would create a huge loophole and contravene legislative intent if state employees could avoid the requirements of section 68B.3 simply by creating a separate business entity.”

We concur Ms. Schmitz should have complied with section 68B.3 of the *Code*.

#### **TIMELINE OF OTHER RELEVANT EVENTS**

We previously summarized a timeline of events as they relate to payments WRC made to BluePrint Homes. We also identified factors which are relevant to determining Ms. Schmitz’s role in operating BluePrint Homes, whether that role was compliant with ethics requirements established by the *Code of Iowa* and DAS, and demonstrations of Ms. Schmitz’s working knowledge of TSB and procurements requirements, as follows:

- 02/09/10 Ms. Schmitz e-mailed Debbie O’Leary and another DAS employee with the message, “With so many staff considering retiring, I volunteer to take on all TSB contracts and the renewals of ITQ contracts.”
- 04/29/10  
and  
04/30/10 – A series of e-mails were sent between an Iowa Department of Economic Development (IDED) employee involved with TSBs, various DAS purchasing employees, and Ms. Schmitz which demonstrates Ms. Schmitz took a role in answering questions regarding procuring goods and/or services from TSBs. They also demonstrate Ms. Schmitz had a clear understanding of when bidding was required and that agencies are required to follow an established process using delivery or purchase orders when goods and/or services are procured from a TSB without using a competitive procurement process.

The initial e-mail was in regards to a TSB Newsletter the IDED employee was drafting. A DAS employee suggested including a link to DAS’ procurement homepage and another to commodity codes. Ms. Schmitz suggested including an article she wrote for a DAS newsletter regarding TSBs. The

article she provided to the IDED employee stated, in part, “In order to assist customers in purchasing from Targeted Small Businesses (TSBs), Procurement Services creates TSB MA [master agreement] contracts. MA IDs [identification numbers] that begin with TSB are restricted to \$10,000 since these contracts have not been competitively bid.”

The article also specifies a *Code of Iowa* section and an Administrative Rule which “allow state agencies, through the issuance of a state delivery order (DO) or purchase order (PO) to purchase goods or services from a Targeted Small Business (TSB) up to \$10,000.00, renewable upon TSB recertification.” In addition, the article states competitively bid contracts awarded to TSBs are not limited to \$10,000.

The article closes by stating, “If you have any questions regarding TSB contracts, please contact Lois Schmitz.”

- 06/03/10 – A series of e-mails were sent between IDED’s TSB representative, the DAS Procurement System Coordinator, and Ms. Schmitz which demonstrate Ms. Schmitz took a role in answering questions regarding procuring goods and/or services from TSBs. The e-mails were in response to an inquiry e-mailed to the IDED TSB representative by Mr. Schmitz. His e-mail included his name and “BluePrint Homes & Remodeling & BPH Services” in the signature portion of the message.

After receiving Mr. Schmitz’s e-mail, the IDED TSB representative forwarded it to Ms. Schmitz and the DAS Procurement System Coordinator requesting help with responding to “SOME of this man’s questions.” Ms. Schmitz e-mailed a very brief response to the IDED TSB representative which did not include a disclosure the e-mail forwarded to her was from her husband or that she was a co-owner of the business identified in the signature of the original e-mail.

In addition, the e-mails demonstrate Mr. Schmitz asked whether it was appropriate to split projects so the cost will not exceed \$10,000.00. By early June 2010, BluePrint Homes had already provided a number of invoices to WRC for jobs which had been split in order to avoid the \$10,000.00 threshold which required WRC to complete a competitive procurement process.

- 05/17/11 – Mr. Schmitz sent an e-mail to Ms. Schmitz’s DAS e-mail address. The e-mail did not contain a message to Ms. Schmitz, but included a “forwarded” message which contained 2 messages sent earlier that day. One was to Mr. Schmitz from an architectural firm which included a table of bids for work to be done at Valley Southwoods School. The second message was one Mr. Schmitz sent to an insurance company and a construction bid informing the parties Mr. Schmitz needed a bid bond for a Department of Transportation bid. The message also stated Mr. Schmitz would “send you the paper work.”

Because Mr. Schmitz forwarded this information to Ms. Schmitz, it appears she was involved in BluePrint Homes’ operations. Mr. Schmitz’s e-mails contained signatures which included both BluePrint Home & Remodeling’s and BPH Construction Services’ names.

- 06/01/11 – Mr. Schmitz sent an e-mail to a purchasing agent employed by the Department of Natural Resources requesting information about a project let

for bid. After receiving the purchasing agent's response, Mr. Schmitz forwarded it, along with the string containing the original message, to Ms. Schmitz's DAS e-mail address.

Because Mr. Schmitz forwarded this information to Ms. Schmitz, it appears she was involved in BluePrint Homes' operations. Mr. Schmitz's e-mails contained signatures which included both BluePrint Home & Remodeling's and BPH Construction Services' names.

- 06/08/11 – Ms. Schmitz received an e-mail from an employee at a Department of Human Services' institution requesting clarification. According to the e-mail, a TSB told the employee the \$10,000.00 threshold regarding completion of the competitive bid process does not include freight and the freight charges could exceed the \$10,000.00 limit. Ms. Schmitz's reply to the employee stated, "The TSB limit is less than or equal to \$10,000 for the total purchase." As a result, Ms. Schmitz's understanding of the requirements was clearly demonstrated.
- 06/22/11 – A DAS purchasing official sent an e-mail to 4 vendors informing them DAS was accepting proposals on a time and materials basis to provide construction management consultation and related services. The e-mail also stated proposals were due on/before 12:00 noon on June 24, 2011 and additional information was available from the DAS employee.

Mr. Schmitz forwarded the e-mail to Ms. Schmitz's DAS e-mail address shortly after it was sent to him. Because Mr. Schmitz forwarded this information to Ms. Schmitz, it appears she was involved in BluePrint Homes' operations. Mr. Schmitz's e-mail contained signatures which included both BluePrint Home & Remodeling's and BPH Construction Services' names.

- 09/12/11 – Mr. Schmitz sent an e-mail to Ms. Schmitz's DAS e-mail address with the subject line "Successful." The message stated, "I did get the two bid [sic] in Woodward." Because Mr. Schmitz sent this information to Ms. Schmitz, it appears she was involved in BluePrint Homes' operations. Mr. Schmitz's e-mail contained signatures which included both BluePrint Home & Remodeling's and BPH Construction Services' names.
- 11/03/11 – Ms. Schmitz sent an e-mail to Mr. Schmitz which stated, "Check out this bid." The message also contained a reference number for a request for proposal. Because Ms. Schmitz sent this information to Mr. Schmitz, it appears she was involved in BluePrint Homes' operations.

As previously stated, BluePrint Homes is located in Mr. and Ms. Schmitz's home. Because the e-mails summarized above were sent to Ms. Schmitz's DAS e-mail address during the day, they indicate Ms. Schmitz played some role in the operations of BluePrint Homes.

## **DAS OVERSIGHT OF INDEPENDENCE**

DAS has not formally established any procedures which provide for oversight of independence of procurement officials. In addition, guidance has not been developed and provided to state agencies that procure goods and services.

Independence refers to the ability to act with integrity, objectivity, impartiality, intellectual honesty and with freedom from conflicts of interest when procuring goods and services on behalf of state agencies. Impairments to independence may include personal impairments, such as

circumstances in which procurement officials may not be impartial or may not be perceived to be impartial, including:

- Family members who are involved in the operations of vendors from whom goods and/or services are procured,
- Financial interest in a vendor or enterprise from whom goods and/or services are procured,
- Personal, professional or financial relationships with a vendor from whom goods and/or services are procured, and
- Previous employment or application for employment under consideration with a vendor from whom goods and/or services are procured.

## **CONCLUSIONS**

**CPE** – During interviews conducted by DAS-HRE officials, Ms. Schmitz and Ms. O’Leary stated Ms. O’Leary and other DAS officials at the time were aware Ms. Schmitz was a co-owner of BluePrint Homes. However, because Ms. Schmitz’s duties did not include conducting or evaluating bids, DAS officials, including Ms. O’Leary, Ms. Lantz, and Mr. Walton, did not believe a conflict of interest existed.

DAS officials cannot ensure the appearance of independence is maintained when a procurement officer is the co-owner of a business which received over \$500,000 of payments from WRC in a single fiscal year. While Ms. Schmitz may not have directly evaluated bids, her role in procurement services for the State of Iowa as a whole should have been considered. Because of her duties, Ms. Schmitz had the opportunity to influence other purchasing agents. As a result, it could appear she was not independent.

The potential for the appearance of a lack of independence was enhanced because Ms. Schmitz frequently encouraged TSBs and state agencies to contact her with questions regarding TSBs when the business she co-owned was a certified TSB. In addition, she volunteered to DAS officials to handle TSBs. The following concerns should have been apparent to DAS officials:

- By handling inquiries related to TSBs as part of her duties, Ms. Schmitz had the opportunity to provide incorrect, incomplete and/or misleading information to other TSB owners who were seeking assistance in procuring state contracts or projects. Some of the TSBs may have been in direct competition with BluePrint Homes.
- Ms. Schmitz also had the opportunity to provide incorrect, incomplete and/or misleading information to state agency purchasing representatives regarding the quality and reliability of work provided by other TSBs who were in direct competition with BluePrint Homes.
- It could appear to others outside DAS Ms. Schmitz had the opportunity to review current or past bid information from competing TSBs and potentially use that information to the benefit of BluePrint Homes in procuring contracts or projects.

The consideration of these factors should not be limited only to DAS procurement staff members who have a direct ownership interest in an entity which conducts business with the State of Iowa. These factors should also be considered by DAS officials when evaluating the independence, both in appearance and in fact, of all procurement staff members who have any type of familial or other close relationship with proprietors or management personnel of vendors who conduct business with the State of Iowa.

**WRC** – Based on our review of claims WRC paid to BluePrint Homes, transcripts of interviews conducted by DAS-HRE officials and other various documents, it is apparent former WRC employees circumvented certain procurement requirements. We are unable to determine if the requirements were disregarded because it was the former employees' intent, at the urging of the vendor, or a combination of both possibilities. We are also unable to determine what benefit, if any, the former employees and/or vendor received as a result of circumventing the requirements.

We also determined, based on our review of certain claims, this does not appear to be an on-going concern with current administrative staff of WRC.

### **Recommended Control Procedures**

As part of our review, we reviewed the procedures used by DAS to monitor procurement employees' actions. We also reviewed certain claims processed by WRC and its compliance with procurement requirements designed to established internal controls. An important aspect of internal control is to establish procedures that provide accountability. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen DAS' and WRC's internal controls.

#### **DAS Findings**

- A. Compliance with Section 68B.3 of the Code of Iowa - Section 68B.3(1) of the *Code of Iowa* generally prohibits a state employee from selling in any one occurrence, any goods or services having a value in excess of \$2,000.00 to any state agency unless the sale is made pursuant to an award or contract let after public notice and competitive bidding. The exception to the prohibition, enacted in 2010, allows such sales when "part of official state duties." Ms. Schmitz's duties as a trainer did not involve making such sales.

We identified purchases from a TSB co-owned by a DAS procurement official which exceeded the \$2,000.00 threshold established by the *Code*. In addition, a number of the purchases were not made pursuant to an award or contract let after public notice and competitive bidding. According to officials of the agency making the purchases, they were not required to go through the competitive procurement process because they were made from a TSB for less than the \$10,000.00 limit. However, because the requirement established by section 68B.3 of the *Code* is more restrictive, it should prevail over the allowance for purchases from TSBs up to \$10,000.00 without competitive bids.

Effective March 19, 2010, section 68B.3 of the *Code* also states, "Except when performing official state duties, an official or a state employee making a permissible sale under this section shall file a report with the Iowa Ethics and Campaign Disclosure Board within 20 days of making the sale. The report shall include but not be limited to the parties to the sale, the date of the sale, the total amount of the sale, and the type of goods or services being sold."

The Director of the Ethics Board communicated to DAS officials, "It is my opinion that section 68B.3 applies to sales from both state employees as well as their closely held businesses. In other words, I am concerned that the Ethics Board would create a huge loophole and contravene legislative intent if state employees could avoid the requirements of section 68B.3 simply by creating a separate business entity." We concur the *Code* section should apply to sales made directly by state employees, as well as any businesses they are closely associated with, to maintain propriety in both appearance and fact.

Recommendation – DAS officials should ensure all procurement officers employed by DAS have a clear understanding of the requirements of section 68B.3 of the *Code of Iowa*. It should be emphasized with the employees the *Code* section applies not only to sales they make directly, but also sales by any business with which they have an association.

In addition, DAS procurement officials should ensure all future training events include information related to this *Code* section and all participants have the opportunity to obtain a clear understanding of the requirements established by section 68B.3 of the *Code*.

- B. Employee Disclosures – DAS has not formally established any procedures which provide for oversight of independence of procurement officials. In addition, guidance has not been developed and provided to state agencies that procure goods and services.

Recommendation – DAS officials should develop procedures which provide oversight of the independence of procurement staff members. Specifically, DAS should implement a “Representation of Independence” form which should be completed at least annually by procurement staff members. The form should include, but not be limited to, the following:

- Acknowledgment of awareness and understanding of requirements established by Chapter 68B of the *Code of Iowa*,
- A statement the staff member will comply with reporting requirements established by section 68B.3(5) of the *Code of Iowa*. The statement should also acknowledge this requirement applies to any businesses in which the staff member has a direct or indirect interest,
- A statement the staff member does not have a financial interest in the operations or management of any vendors providing goods and/or services to any state agencies,
- A statement the staff member does not have a family member or personal relationship with any vendors providing goods and/or services to any state agencies,
- A listing of all vendors from which the staff member may not procure goods and/or services and maintain independence in fact or appearance, and
- A statement the staff member understands DAS’ policy on independence and a pledge to maintain such independence in all matters related to their work. The statement should also include a provision for prompt notification to supervisory personnel if circumstances change prior to completion of the next independence form or if the staff member is inadvertently involved in a transaction involving a vendor for which they are not independent.

DAS officials should also ensure appropriate action is taken for any vendors identified by staff members for which they may not be able to maintain independence in fact or appearance. Specifically, procurement officials should be prohibited from any transactions involving the vendor(s) identified.

## **WRC Findings**

- C. Compliance with Iowa Administrative Code (IAC) Requirements – The rules for procurement of goods and services and purchasing standards for service contracts are contained in 11-IAC-117 and 11-IAC-118, respectively. During our review of certain purchases by WRC, we identified a number of instances in which requirements regarding competitive procurement procedures were intentionally circumvented. Based on the documents we reviewed, both former WRC Plant Operations Manager Monahan and former WRC Business Manager Ashton were aware the proper procedures were not followed.

Recommendation – Based on our review of claims processed after the former employees were no longer employed by WRC, non-compliance with procurement requirements does not appear to be an on-going concern. WRC officials should ensure all purchases continue to comply with rules found in 11-IAC-117 and 11-IAC-118.

- D. Controls over Purchases – During our review of supporting documents for purchases from BluePrint Homes, we identified instances in which purchase orders were requested by the former WRC Plant Operations Manager for work which had already been completed or materials which had already been delivered.

Recommendation – In order to help ensure only appropriate purchases are made, purchase orders should be prepared and approved by designated individuals prior to procuring goods and/or services. Once the goods and/or services are received, the related invoice should be matched to the purchase order and any related bid or quote document. Payment should not be issued until all related documents (the purchase order, quote/bid, packing slip and/or invoice) are matched, reviewed for reasonableness and approved.

## **Exhibits**

Report on a Review of the  
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Summary of Findings  
For the period July 1, 2009 through March 31, 2013

Project/Job Description	Date	Transaction Number	Amount
<b>#1 - Windows at 101 Franklin</b>			
Install 27 single units at grade, materials and labor	11/03/09	09240900365	\$ 7,930.79
Prime and paint exterior wood window frames	11/16/09	11100900958	540.00
			<u>8,470.79</u>
<b>#2 - 101 Franklin</b>			
#1 Demo walls, door frames, wardrobes and closet shelving. Frame 126' of interior walls.	12/30/09	11180900579	7,733.00
2-Demo and install FRP panels, material and labor	01/15/10	12240900736	1,920.00
Install 18 doors, jambs, and door hardware	02/03/10	11180900573	6,993.00
#4 Paint 2 coats on all walls over 10 feet high, both new and existing	03/02/10	11180900576	4,380.00
#5 Repair drywall damage, ceiling and walls. Spray texture to walls and ceilings. Paint ceilings.	03/02/10	11180900575	9,995.00
#2 Rough in electrical. Install and tape drywall on newly framed walls and closets.	03/02/10	11180900578	9,600.00
101 Franklin Remodel 140 Medite FR Panels - 30 day lead time required. <i>\$68 per board</i>	03/17/10	01271000846	9,520.00
#6 Prep and paint 59 doors and existing window casing.	03/30/10	11180900574	9,840.00
#3 Paint 2 coats on all walls up to 10 feet high, both new and existing.	03/30/10	11180900577	8,757.00
Other remodeling tasks 101 Franklin. Remove chair rail, trim board, kitchen counter & backsplash, restroom splash guards. New counter top & backsplash.	03/30/10	12080900654	3,919.67
Cabinets and plumbing for 101 Franklin Remodel. Wall and base cabinets. Backsplash, counter top, faucet and sink.	03/30/10	12080900655	9,978.83
Flooring part #2 101 Franklin Vinyl. Tear out existing floor and install new vinyl flooring.	04/14/10	01131000809	9,953.00
Switch existing light fixtures and reposition 5 ceiling fans. Labor only. Fixtures and fans provided by WRC.	04/14/10	02121000927	2,100.00

<b>Quote Number</b>	<b>Quote Date</b>	<b>Invoice Number</b>	<b>Invoice Date</b>	<b>Purchase Order Date</b>
1056	09/22/09	143	10/26/09	10/30/09
1088	11/06/09	147	11/06/09	11/24/09
1086	11/02/09	169	12/15/09	11/18/09
1106	12/08/09	170	12/18/09	12/24/09
1094	11/12/09	180	01/17/10	11/18/09
1091	11/12/09	192	02/25/10	11/18/09
1092	11/12/09	193	02/25/10	11/18/09
1089	11/12/09	190	02/17/10	11/18/09
1128	01/15/10	195	03/08/10	01/27/10
1093	11/12/09	223	03/19/10	11/18/09
1090	11/12/09	222	03/19/10	11/18/09
1108	12/08/09	220	03/19/10	12/08/09
1107	12/08/09	221	03/19/10	12/08/09
1117A	01/12/10	218	03/19/10	01/13/10
1133	02/01/10	212	03/19/10	02/12/10

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^ Installation of window blinds.	04/14/10	03051000991	1,865.00
#8 101 Franking Remodeling Project. Remove existing 6" wood base and install 6" vinyl base in common areas.	04/14/10	11180900572	4,500.00
@ Invoice lists 19 services for 101 Franklin, including supplying and installing cabinets, shelves, wall guard, doors, HVAC registers, cabinet hardware and a new window.	05/05/10	05031001307	9,029.10
@ Replace faucet in mop closet & supply/install sinks, countertop & faucets in bathroom.	05/05/10	05031001309	2,665.00
@ Paint doors and wiremold in south bedroom.	05/05/10	05031001310	2,458.33
@ 9 services listed on invoice - primarily electrical.	05/05/10	05031001311	6,138.93
			<u>121,345.86</u>
<b>#3 - Sprinklers - location not listed</b>			
Add and relocated sprinklers to accommodate remodeling, also installation and repairs.	03/02/10	01111000788	9,711.59
Replace existing sprinklers and relocate sprinklers. Repair drywall.	03/02/10	01111000789	4,760.14
			<u>14,471.73</u>
<b>#4 - Restrooms in Administration Building</b>			
Renovate Men's and Ladies' restrooms in the Administration Building, including floor, ceiling, walls, counter top and door.	01/22/10	10060900406	9,370.66
Additional work required for restroom remodel, including electrical, plumbing, carpentry and repairing walls.	02/03/10	01221000830	1,345.91
			<u>10,716.57</u>
<b>#5 - Staff Development Area</b>			
Floor Prep, transition moldings, and glue. Removed existing vinyl and carpet floor covering. Paint ceiling grid, replace ceiling tile.	02/03/10	01131000812	9,414.00
Carpet tile for Hall, training room and offices.	02/03/10	01131000813	9,805.00
Paint offices, door frames and windows. Sand, stain and re-lacquer existing office and hall doors. Cut and adjust door to clean (SIC) new flooring.	02/08/10	01131000811	6,091.44
			<u>25,310.44</u>

<b>Quote Number</b>	<b>Quote Date</b>	<b>Invoice Number</b>	<b>Invoice Date</b>	<b>Purchase Order Date</b>
1144	02/13/10	211	03/19/10	03/05/10
1095	11/12/09	213	03/19/10	11/18/09
1186	05/03/10	242	05/03/10	05/03/10
1188	05/03/10	none	05/03/10	05/03/10
1187	05/03/10	244	05/03/10	05/03/10
1189	05/03/10	243	05/03/10	05/03/10
1119	01/08/10	188	02/16/10	01/11/10
1120	01/08/10	189	02/16/10	01/11/10
1063	10/01/09	176	01/14/10	10/06/09
1126	01/15/10	182	01/23/10	01/22/10
1122	01/13/10	183	01/23/10	01/13/10
1124	01/13/10	184	01/23/10	01/13/10
1123	01/13/10	185	01/28/10	02/04/10

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Project/Job Description	Date	Transaction Number	Amount
<b>#6 - Plumbing Projects - 101 Franklin</b>			
~ Demo dishwashers, sanitizers and sinks. Install sinks	03/17/10	031110221	2,422.67
~ Install 4' x 6' x 1/2" Medite panels	03/17/10	031110262	8,400.00
Medite Board. Stock order of 40 1/2" x 48" x 72" FR panels - 30 day lead time required. \$68.75 per board.	03/17/10	01271000845	2,750.00
101 Franklin Remodel. Stock order of 140 1/2" x 48" x 72" FR panels - 30 day lead time required. \$68.00 per board.	03/17/10	01271000846	9,520.00
~ Installation of kitchen cabinets, crown mouldings and drawer slides	03/17/10	03111001013	2,555.00
~ Kitchen cabinets. Includes island cabinet, crown mouldings and Blum-motion draw slides.	03/17/10	03111001014	9,848.00
Change orders and extras. Includes Removing cabinets, installing 2 fire extinguishers, reframing wall, installing attic access doors.	03/17/10	03111001015	5,995.50
~ Additional counter tops (4 specified)	04/14/10	03111001017	4,486.58
			<u>45,977.75</u>
<b>#7 - State House #1</b>			
Water damage. Various repairs to main floor and 2nd floor	04/14/10	03111001018	7,630.80
"Revitalization." Largest tasks were (1)removing, furnishing and installing bathroom sink and faucet and (2)removing and replacing kitchen counter top. Numerous other small tasks listed.	04/14/10	03111001019	4,383.24
			<u>12,014.04</u>
<b>#8 - Linden Court</b>			
Replace existing windows in Linden Court A (9 at grade & 9 on second floor)	02/25/10	10150900433A	5,580.00
"Additional charges at Linden Court" extra labor to frame in openings on Wings A and B Invoice also lists materials "used on all four wings."	06/04/10	05261001474	5,432.93
Replace windows in Linden Court B	06/07/10	10150900434	8,640.00
Replace windows in Linden Court C	06/07/10	12280900745	9,920.00
Balance of windows Linden Ct Wing A	06/09/10	10150900433B	3,780.00
Replace windows Linden Court D	07/07/10	12240900734	9,920.00
			<u>43,272.93</u>

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<b>Quote Number</b>	<b>Quote Date</b>	<b>Invoice Number</b>	<b>Invoice Date</b>	<b>Purchase Order Date</b>
<i>None</i>	<i>N/A</i>	203	03/12/10	<i>N/A</i>
1162	02/19/10	204	03/12/10	03/11/10
1129	01/15/10	196	03/08/10	01/27/10
1128	01/15/10	195	03/08/10	01/27/10
1163	02/19/10	205	03/12/10	03/11/10
1160	02/19/10	202	03/12/10	03/11/10
1134	02/01/10	206	03/12/10	03/11/10
1159	02/19/10	210	03/19/10	03/11/10
1166	03/09/10	208	03/15/10	03/11/10
1164	03/06/10	209	03/15/10	03/11/10
1054	09/21/09	178	01/15/10	01/18/13
1220	05/26/10	257	05/27/10	05/26/10
1054	09/21/09	255	05/26/10	10/15/09
1110	12/15/09	253	05/26/10	12/28/09
<i>None</i>	<i>N/A</i>	254	05/26/10	<i>N/A</i>
1054	09/21/09	252	05/26/10	12/24/09

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Summary of Findings  
For the period July 1, 2009 through March 31, 2013

<b>Project/Job Description</b>	<b>Date</b>	<b>Transaction Number</b>	<b>Amount</b>
<b>#9 - E-Home</b>			
Work performed before/supplies purchased & delivered before Stop Order	07/14/10	03231001061	5,543.33
Second floor of the new part of E-Home (drywall, ceiling, etc.)	07/28/10	04261001255X	9,846.16
			15,389.49
<b>#10 - Tuckpointing on various buildings - all quoted same day / within 10 days</b>			
Administration	06/16/10	05171001409	9,980.00
Westwood	06/25/10	05261001477	10,000.00
E-Home	07/19/10	05261001475X	9,988.00
Hemlock	07/28/10	05261001476X	10,000.00
Chapel	07/29/10	05261001479X	9,980.00
Larches	08/13/10	05261001478	9,917.00
			59,865.00
<b>#11 - Painting at school</b>			
Painting stairways	08/11/10	06071001532X	9,530.00
Painting entry ways	08/11/10	06071001533X	1,282.00
			10,812.00
Total			\$ 367,646.60

N/ A - Not applicable

^ - Documentation related to this claim included 2 quotes from vendors other than BluePrint Homes. The quotes were significantly higher than BluePrint Homes' quote. However, both of the other quotes included costs for new smoke detectors and moving existing devices to new locations. See transaction numbers 01111000788 and 01111000789 in project #3 for amounts paid to BluePrint Homes for services of this nature. Appears services that were bid in total by the 2 other vendors were split up.

@ - Attached e-mail from Monahan to McNaughton states, "This will wrap up most everthing with 101 Franklin. John has indicated that not all subs have billed everything yet. There will be approx \$2000.00 still out after these to wrap up **the total cost on this project.**" (emphasis added)

~ - Includes schematic drawings also included in invoices specified.

<b>Quote Number</b>	<b>Quote Date</b>	<b>Invoice Number</b>	<b>Invoice Date</b>	<b>Purchase Order Date</b>
1171	03/23/10	234	04/22/10	03/23/10
1178	04/26/10	284	07/20/10	07/02/10
1204	05/14/10	259	06/01/10	05/17/10
1212	05/24/10	269	06/17/10	05/26/10
1215	05/24/10	279	07/06/10	07/02/10
1213	05/24/10	283	07/19/10	07/02/10
1214	05/24/10	282	07/13/10	07/02/10
1216	05/24/10	273	06/23/10	08/10/10
1230	06/04/10	287	07/22/10	07/02/10
1231	06/04/10	286	07/22/10	07/02/10

Report on a Review of the  
Central Procurement Enterprise of the  
Iowa Department of Administrative Services

Staff

This review was performed by:

Annette K. Campbell, CPA, Director  
Karen J. Kibbe, Senior Auditor II  
Brian P. Schenkelberg, CPA, Senior Auditor II

A handwritten signature in black ink, reading "Tamera S. Kusian". The signature is written in a cursive style with a large, stylized "T" and "K".

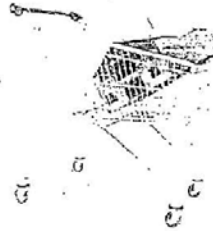
Tamera S. Kusian, CPA  
Deputy Auditor of State

## **Appendices**

Report on a Review of the  
Central Procurement Enterprise of the  
Iowa Department of Administrative Services

14212 Ridgemont Dr.  
Urbandale, IA 50323  
515-491-5150, 515-727-6415 fax

Woodward Resource Center  
1251 334th St  
Woodward Iowa 52342



1/8/2010

Quotation #
1119

PAID  
JUN 22 1964

Report on a Review of the  
Central Procurement Enterprise of the  
Iowa Department of Administrative Services

### Blueprint Homes

14212 Ridgemont Dr.  
Urbandale, IA 50323  
515-491-5150, 515-727-6415 fax

Presented to:

Woodward Resource Center  
1251 334th St  
Woodward Iowa 52342

### Quotation

1/8/2010

Quotation #
1120

Description	Qty	Total
Replace existing pendant sprinklers that are plastered into ceiling and relocate sprinklers in existing bathrooms to provide proper coverage	1	3,137.14
Repair and texture drywall as needed	1	1,623.00
		PAID 3/18/2010
Total		\$4,760.14

*Ruth Ashton*

Report on a Review of the  
Central Procurement Enterprise of the  
Iowa Department of Administrative Services

**BluePrint Homes**

14212 Ridgemont Dr.  
Urbandale, IA 50323  
515-491-5150, 515-727-6415 fax

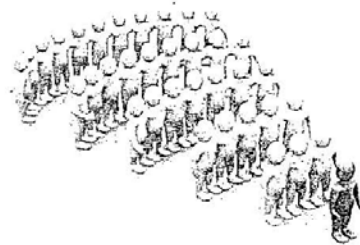
2/16/2010

**Invoice**

188

Sold To:

Woodward Resource Center  
1251 334th St  
Woodward Iowa 52342



P.O. Number 0111000788

Quantity	Description	Amount
	Add and Relocated Sprinklers to accommodate remodeling	
1	Sidewall sprinklers will be installed on walls and concealed sprinklers will be installed in soffits and closets within remodel rooms.	7,246.59
1	Additional insulation and drywall repair	2,465.00
Total		\$9,711.59

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**BluePrint Homes**

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Urbandale, IA 50323  
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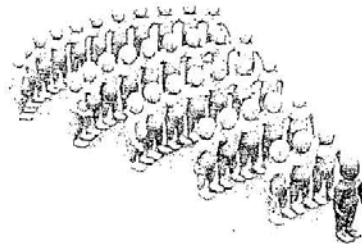
2/16/2010

**Invoice**

189

Sold To:

Woodward Resource Center  
1251 334th St  
Woodward Iowa 52342



P.O. Number 0111000789

Quantity	Description	Amount
1	Replace existing pendant sprinklers that are plastered into ceiling and relocate sprinklers in existing bathrooms to provide proper coverage	3,137.14
1	Repair and texture drywall as needed	1,623.00
Total		\$4,760.14

Report on a Review of the  
Central Procurement Enterprise of the  
Iowa Department of Administrative Services

**John S. Schmitz Construction**  
**BluePrint Homes LLC**

7/22/2010

**Invoice**


286

14212 Ridgemont Dr.  
Urbandale, IA 50323  
515-491-5150, 515-727-6415 fax

Sold To:  
Woodward Resource Center  
Department of Human Services  
1251 334th St.  
Woodward, IA 50276



**ECOBUEPRINT**  
Building a Better Environment

Order #	41206071001533	
Quantity	Description	Amount
	School Entry Painting  Removal of peeling paint. Surface preparation as necessary. Mask as needed. Two coats of Sherwin Williams eggshell latex paint on walls only. Clean, prep, and mask as needed	
2	Total: Price for both entries.	1,282.00
 work complete		
For goods and services received or preformed on <u>7/21/2010</u> date.		Total \$1,282.00

Report on a Review of the  
Central Procurement Enterprise of the  
Iowa Department of Administrative Services

**BluePrint Homes LLC**

14212 Ridgemont Dr.  
Urbandale, IA 50323

515-491-5150, 515-727-6415 fax

**Sold To:**

Woodward Resource Center  
Department of Human Services  
1251 334th St.  
Woodward, IA 50276

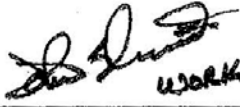
7/22/2010

**Invoice**

287



**ECOBUEPRINT**  
Building a Better Environment

Order #	41206071001532
Description	Amount
School Stairway Painting (This does not include window jambs)  Removal of peeling paint. Surface preparation as necessary. Mask as needed. Two coats of Sherwin Williams eggshell latex paint on wall only.  Mesh Stairway railing Clean, prep, and mask as needed Apply two coats of Sherwin Williams painted as needed	
Total: Priced for Both stairways	9,530.00
 WORK COMPLETED	
For goods and services received or performed on <u>7/21/2010</u> date.	Total \$9,530.00

Report on a Review of the  
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Iowa Department of Administrative Services

**BluePrint Homes LLC**

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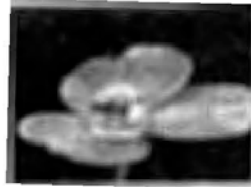
**Sold To:**

Woodward Resource Center  
Department of Human Services  
1251 334th St.  
Woodward, IA 50276

7/6/2010

**Invoice**

279



**ECOBUEPRINT**  
Building a Better Environment

*Note: 5261001475 is P.O. # given*

Order #	5261001476
Description	Amount
Tuckpointing "E-homes" Building  Provide material and labor to tuckpoint masonry course and head joints as need. All sides of the building, excluding the four stair case walls. Please note the flashing above the center west entrance was originally installed incorrectly. We did not correct that installation. Total	9,980.00
For goods and services received or preformed on <u>7/8/2010</u> date <u>[Signature]</u>	Total \$9,980.00

Report on a Review of the  
Central Procurement Enterprise of the  
Iowa Department of Administrative Services

**BluePrint Homes LLC**

14212 Ridgemont Dr.  
Urbandale, IA 50323

515-491-5150, 515-727-6415 fax

7/6/2010

**Invoice**

280

**Sold To:**

Woodward Resource Center  
Department of Human Services  
1251 334th St.  
Woodward, IA 50276

**ECOBUEPRINT.**

.....

Building a Better Environment

Order #	5121001392
Description	Amount
Remodel Conference Room	
Scope of Work:	
Drywall all walls, tape and finish.	
Reconfigured suspended ceiling to 2' x2' with new Troffer lighting (provided by WRC)	
Supply and install new ceiling tile.	
Modify or replace window air conditioner panel.	
Install new extension jambs and casing on door and windows as needed.	
Modify radiator housings, install shutter grillwork	
Paint all walls and millwork.	
Total	9,536.67
Additional electrical work not part of the ordinal purchase order: added new electrical circuit for windows air conditioner	610.00
For goods and services received or preformed on 7/11/2010 date <i>[Signature]</i>	Total \$10,146.67