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LEGISLATIVE FISCAL BUREAU

Program Evaluation Division

Division on Purchasing
of the
Department of General Services

DIVISION ON PURCHASING
DEPARTMENT OF GENERAL SERVICES:
A Limited Program Evaluation

February, 1980

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Legislative Fiscal Bureau

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PREFACE

The Program Evaluation Division was established in the Legislative Fiscal Bureau on July 1, 1979, pursuant to legislation adopted during the 1979 Session of the 68th General Assembly. It was established for the purpose of conducting studies of state agency operations and making recommendations to the Iowa Legislature for improvement.

In August, 1979, the Legislative Council directed the Legislative Fiscal Bureau to conduct a preliminary review of the Purchasing Division of the Iowa Department of General Services. The preliminary review noted significant weaknesses in the operations of this agency when compared to guidelines developed by the United States General Accounting Office. In October, the Legislative Council directed the Program Evaluation Division to analyze the recommendations of the report of the Governor's Economy Committee '79 when released in December.

The analysis is intended to determine the extent to which implementation of the recommendations of the Governor's Economy Committee (GEC '79) will improve the operations of the Purchasing Division to the standard prescribed in the U.S. G.A.O. guidelines. These guidelines have been endorsed by the National Institute of Governmental Purchasing. The report was also intended to recommend legislative action with respect to these recommendations and the operations of the Purchasing Division.

Designed to be brief, the study took the form of a limited evaluation. The study focused primarily on statutory provisions and departmental rules. The Program Evaluation Team relied heavily on interviews, previously prepared documentation, and the working papers of the GEC '79. The scope of the evaluation is, therefore, limited to a review of policies and procedures; it does not attempt to fully document the impact of these procedures.

The fieldwork for the study and the writing of the report were completed during January and February, 1980. A summary of the Program Evaluation Team's findings and recommendations can be found on the buff-colored pages of the report.

Executive review and comment was requested from both the Purchasing Division and the representative of the Governor's Economy Committee '79. The response of the Department of General Services is included in Appendix C.

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INTRODUCTION

This section reviews the structure of major state agencies responsible for purchasing activities of the state. The primary focus is on the Purchasing Division of the Department of General Services; other major purchasing agencies are briefly discussed and the potential impact of the Governor's Economy Committee, 1979 recommendations is overviewed.

Purchasing Division, Department of General Services

Procurement of commodities and services for most state agencies is the responsibility of the Purchasing Division of the Iowa Department of General Services (DGS). The Board of Regents institutions, Department of Transportation, and the Commission for the Blind are exempt by law (Chapter 18.3(1), 1979 Code of Iowa). The DGS operating manual states that the central purchasing function is:

"established in Iowa to insure uniform, fair and open treatment of vendors during the procurement process; to limit the authority to bind in a contract (the power of "agency"); to eliminate the need for separate purchasing staffs; to provide the benefits of professional purchasing to small agencies that cannot afford separate staffs; and to standardize and consolidate high volume requirements in order to seek the most economical goods and services. By using efficient and effective procurement practices, the Division of Purchasing seeks to lower the overall cost of government operations. The division responds to all agency requirements in the minimum possible time, while maintaining the prerogative of questioning the cost effectiveness of unusual agency requirements." (Emphasis added.)

The Purchasing Division has 19.5 full-time equivalent positions organized into four operating sections (see Table 1. - Organizational Chart).

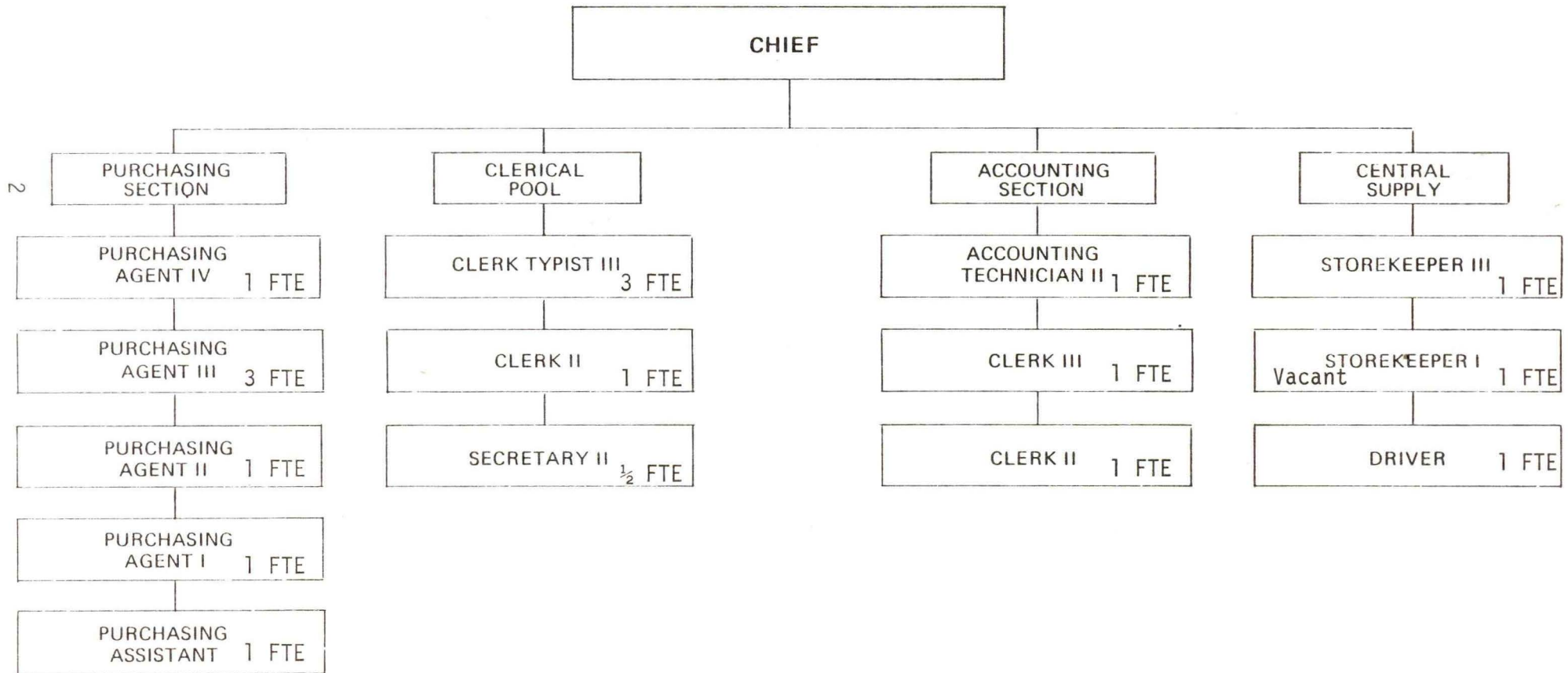
- (7 FTE) Purchasing Section - This section has responsibilities for reviewing requisitions, developing specifications, administering competitive bidding, expediting deliveries, and resolving conflicts between vendors and state users. The section is organized into three 2-person teams responsible for specific commodity groups.

TABLE 1

Organizational Chart

DEPARTMENT OF GENERAL SERVICES

DIVISION OF PURCHASING



- (4.5 FTE) Clerical Pool - This section provides clerical support to the Purchasing Section.
- (3 FTE) Accounting Section - This section matches purchase orders and invoices, verifies changes, processes claims, and distributes warrants for payment to vendors.
- (3 FTE) Central Supply - This section orders, receives, accounts for, and distributes expendable supplies for the state agencies in the Des Moines metropolitan area. (One vacancy currently exists.)

The remaining two positions in the Division are the Chief Purchasing Agent and Secretary.

The Purchasing Division is authorized by the Legislature to expend \$356,790 in FY 1979-80 from the revolving fund. The revolving fund income consists of the administrative charges for purchases processed through the Division. The current administrative charge is 1.2% of the purchase amount. Table 2 compares the operating budget, actual expenses, and income in the revolving fund for the years FY 1976-FY 1979.

	<u>FY 1976</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>
Operating Budget*	\$275,284	\$311,462	\$337,791	\$360,751
Actual Expense Revolving Fund	\$271,071	\$294,066	\$306,974	\$360,442
Income	\$322,604	\$339,988	\$414,703	\$478,300
Unexpended Revolving Fund Income	\$ 51,533	\$ 45,922	\$107,729	\$117,858

*Appropriated by General Assembly.

Information on the purchasing volume and central supply activity within the Purchasing Division for the same fiscal years is contained in Table 3.

	<u>FY 1976</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>
Purchase Orders *	50,149	51,563	36,489	38,133
\$ Volume	19,701,528	21,000,000	29,163,863	31,914,163
Supply and Postage Orders	8,400	9,350	10,014	9,820
\$ Volume	1,647,222	1,825,000	1,697,157	1,748,537

*NOTE: Because of changes in the required minimum amount of purchase orders, this has declined sharply in FY 78 and FY 79.

Purchasing Functions of Exempt Agencies

The Department of Transportation (D.O.T.) and the Board of Regents (BoR) are the other primary purchasing authorities in the state due to their exemption by state law. The Commission for the Blind, while exempt, purchases most expendable office items, all vehicles, and all printing through centralized operations in DGS. The Commission does not purchase equipment through central purchasing, but buys directly from vendors at prices set by state contract. The administrative charge is not applied to these direct purchases.

The D.O.T. procurement function is the responsibility of the Office of Supplies and Equipment Management. This Office is assigned 126 permanent full-time positions and 38 part-time/intermittent positions. Table 4 is the Organizational Chart provided by the D.O.T. The Office is comprised of the following sections:

- Purchasing
- Equipment Services
- Standards and Specifications
- Clerical Pool
- Sign Shop
- Inventory Management
- Administration

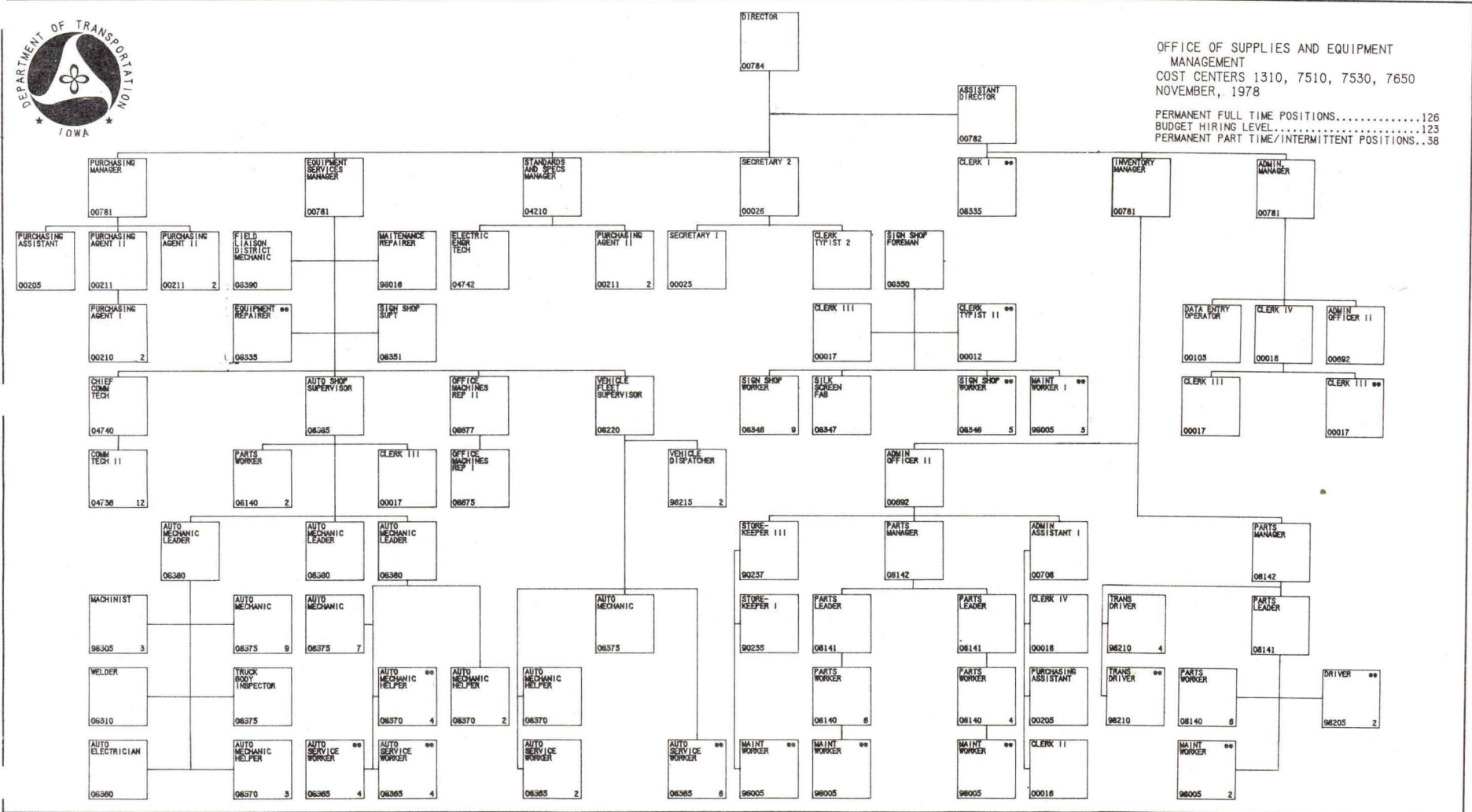
In FY 1979, D.O.T. processed 15,238 purchase orders with a total dollar volume of \$20,815,000.

The BoR purchasing functions are carried on separately by each institution and are generally coordinated by the Des Moines office. Table 5 illustrates the number and dollar volume of purchase orders reported by all of the institutions. This includes purchases by Iowa State University, University of Iowa, University of Northern Iowa, Iowa School for the Deaf, and the Iowa Braille and Sight Saving School.

<u>Year</u>	<u>Dollar Volume</u>	<u>Purchase Orders</u>
FY 1979	\$137,065,040	190,415
FY 1978	\$127,474,692	184,768
FY 1977	\$116,579,487	175,026
FY 1976	\$107,608,105	173,489
FY 1975	\$ 99,900,891	168,481

As noted earlier, the delegation of purchasing authority is determined primarily by state law. As the information presented here indicates, considerable purchasing activity is undertaken by the exempt agencies. To examine the possible duplication of activity related to certain com-

TABLE 4
Organizational Chart - DOT



CT

modities, the Program Evaluation Team requested that the Purchasing Division provide information on the purchasing activity of each agency. This information is presented in Table 6. The information illustrates extensive duplication in activities related to the purchase of most of the product classifications listed. This duplication of activity appears to result from the exemptions provided in state law.

The Governor's Economy Committee, 1979

Governor Robert D. Ray formed the Governor's Economy Committee in 1979 to review the organization of state government and suggest improvements. The committee consisted of private-sector executives and management specialists whose services were donated by more than 200 organizations throughout the state.

The report contains 386 recommendations to "...provide substantial financial benefits and service improvements...".

Of these recommendations, 38 were identified as related to improvement of the state procurement function. A digest of these recommendations is included in Appendix A. Ten major recommendations were identified for the purpose of review in this report. These were selected because of their importance.

The 10 major recommendations are equally divided between those that require Legislative action and those that require Executive action. The GEC '79 Report estimates that implementation of these 10 recommendations will produce annual state savings of \$2,106,000 and annual local savings of \$1,509,000. A one-time cost of \$66,000 and one-time income of \$240,000 is anticipated.

Format and Methodology of the Evaluation

The Program Evaluation Team conducted the primary portion of the research for this report during January and February of 1980. The general tasks undertaken include:

- Comparing the existing Purchasing Division operations with guidelines developed by the U.S. General Accounting Office (see Appendix B).
- Reviewing the GEC '79 Report and selected working papers.
- Follow-up data collection and interviews, and
- Analysis and formation of recommendations.

The report is organized into several chapters related to selected functions of the Purchasing Division. The topics were selected because weaknesses were noted in these functions when the Program Evaluation

TABLE 6

Comparison of Purchasing Activity

<u>Product Classification</u>	<u>DGS</u>	<u>BoR</u>	<u>DOT</u>	<u>Blind</u>	<u>Product Classification</u>	<u>DGS</u>	<u>BoR</u>	<u>DOT</u>	<u>Blind</u>
Audio Visual	X	X	X		Livestock	X	X		
Arts and Crafts	X	X	X		Musical Instruments	X	X		
Appliances	X	X		X	Material Handling Equipment	X	X	X	
Automotive Parts	X	X	X		Milk-Dairy Products	X	X		X
Books, Periodicals	X	X	X	X	Motorized Vehicles	X	X	X	
Barber-Beauty Supplies	X				Metal-Raw Materials	X		X	
Building Materials	X	X	X		Novelties, Advertising	X			
Bakery Products	X	X		X	Office Equipment	X	X	X	
Chemicals	X	X	X		Office Supplies	X	X	X	
Clothing-Uniforms	X	X	X		Photo Supplies & Equipment	X	X	X	
Coal	X	X			Printing Supplies & Equipment	X	X		
Comm.-Electronic Equipment & Supplies	X	X	X		Paper/Paper Products	X	X	X	
Data Processing	X	X	X		Paint Supplies & Equipment	X	X	X	
Dental, Medical, Hospital Supp. & Equip.	X	X			Pharmaceuticals	X	X		
Dry Goods	X	X		X	Plumbing-Heating Supplies & Equipment	X	X	X	
Electrical Supplies	X	X	X		Petroleum Products	X	X	X	
Feed and Seeds	X	X	X		Reflective Sheeting	X		X	
Fish & Game Supplies & Equipment	X				Refrigeration-Air Conditioning	X	X	X	
Furniture-Office & Institutional	X	X	X	X	Safety & Security Systems	X	X	X	
Florist, Garden Supplies & Equipment	X	X	X		Shelving	X	X	X	
Floor Covering	X	X	X		Sand and Gravel	X	X	X	
Flags	X	X	X		Sporting Goods, Recreation Equipment	X	X		
Groceries	X	X		X	Tools	X	X	X	X
Housekeeping, Laundry Supplies & Equip.	X	X	X	X	Tractors-Farm Equipment & Supplies	X	X	X	
Holiday Supplies	X	X			Textile-Drapery	X	X	X	X
Hardware	X	X	X		Upholstery	X	X	X	
Insurance and Bonds	X	X	X	X	X-Ray Equipment & Supplies	X	X		
Law Enforcement/Fire Equipment & Supp.	X	X	X		Welding Equipment & Supplies	X	X	X	

Team conducted its preliminary review in September, 1979. The chapters are:

- Delegation of Purchasing Authority
- Cooperative Purchasing
- Planning, Scheduling, Audit and Evaluation
- Inspection and Testing
- Property Management
- Summary of Conclusions and Recommendations

Each chapter contains the Program Evaluation Team's limited assessment of the current operations of the Purchasing Division, a review of the content and expected impact of selected GEC '79 Report recommendations, and the initial conclusions of the Program Evaluation Team. The final chapter contains a summary of findings and the recommendations of the Program Evaluation Team.

DELEGATION OF PURCHASING AUTHORITY

Centralizing the purchasing function is an accepted organizational arrangement in both industry and government for the purposes of uniformity, efficiency, control, and accountability. This trend is supported by the U.S. General Accounting Office, the National Association of State Purchasing Officials, and the National Institute of Governmental Purchasing.

In Iowa, the authority to purchase products and services required for the functioning of state government is delegated by state law to at least four organizations. Chapter 18.3(1) of the 1979 Code of Iowa states:

"...all items of general use shall be purchased through the Department (General Services), except items used by the State Department of Transportation, institutions under the control of the Board of Regents, the Commission for the Blind, and any other agencies exempted by law."

The Introduction outlined the general characteristics of the Purchasing Division and the exempt agencies and illustrated the impact of decentralized purchasing authority in terms of duplicate purchasing activity. This chapter examines this issue in greater depth and assesses the expected impact of selected GEC '79 Report recommendations.

Program Evaluation Team Assessment

Table 7, on the following page, presents the Program Evaluation Team's assessment of the current Purchasing Division operations and applicable policies related to the delegation of state procurement authority.

Further analysis of the information presented in Table 6 related to duplication in purchasing activity illustrates the extent of the duplication. Table 8, on the next page, presents this analysis.

The following are the product classifications in which all four purchasing authorities have activity:

- Books, periodicals
- Furniture, office and institutional
- Housekeeping, laundry supplies and equipment
- Tools
- Textile-drapery items

TABLE 7

Delegation of Purchasing Authority

Program Evaluation Team Assessment

U.S. General Accounting Office Guideline Questions	Program Evaluation Team Assessment
Is there statutory authority for purchasing authority with one official or department?	NO. Chapter 18.3(1) (1979 Code) exempts BoR, DOT, the Blind Commission, and others (exempted elsewhere in the Code).
Does the authorization prohibit delegation of portions of the authority to other units in the government?	NO. Chapter 18.3(1) (1979 Code) implies a preference for centralized purchasing of general use items. Chapter 18.3(8) (1979 Code) allows delegation if direct purchasing is at least as economical as centralized purchasing and provides for agency appeal.
If not, what delegations of authority are currently in effect?	General Services (450). Chapter 2, (IAC) delegates procurement responsibilities to Capitol Complex agencies for certain services, including professional consulting, rental of conference rooms, outgoing freight, office machine service contracts and others. The same chapter of the IAC delegates procurement responsibilities to those agencies outside the complex for the items listed above and others including public utilities, architectural fees, and others.

TABLE 8

Duplication of Purchasing Activity*

The Number of Products and Services:

Purchased by the Purchasing Division (DGS), Board of Regents institutions (BoR), Department of Transportation (DOT), and the Commission for the Blind (CB).	5
Purchased by the DGS and any two of the other agencies.	43
Purchased by the DGS and any one of the other agencies.	11
Purchased by the DGS only.	3
Purchased by two agencies, but not the DGS.	2
TOTAL PRODUCTS AND SERVICES	64

* NOTE: The information presented here indicates only that duplicate activity exists in the purchasing of a number of types of products and services. It does not evaluate the necessity for such duplication based on geography, location, etc.

GEC '79 Report Recommendations

Three recommendations of the Governor's Economy Committee '79 are related to the delegation of purchasing authority. These recommendations are presented below as published in the GEC '79 Report.

"41. Centralize buying responsibilities for major commodities. Buyers in the Purchasing Division, Department of Transportation and Board of Regents have overlapping responsibilities with respect to purchases of commodities such as vehicles, fuel and data processing supplies. Negotiations for major purchases of like items should be concentrated in the agency with appropriate expertise - for example, the Department of Transportation might be logical for vehicle purchases. A master contract could then be used to obtain commodities on a statewide basis, eliminating the current duplication."

"42. Improve administration of consulting and service contracts. A number of agencies must obtain specific expertise or assistance through the use of contracted consulting or professional services. However, there is no uniform procedure to protect the state's interests during negotiations or to monitor vendor compliance with contract provisions.

An advisory committee should be established to administer comprehensive policies and procedures with respect to contracted services. It would consist of seven key department administrators, selected by the Governor. This group would also provide assistance to agencies in the areas of negotiating, executing and administering agreements.

State agencies purchase an estimated \$24-million annually in various types of services. Guidelines must be developed to ensure that agency contract activities are professionally administered. Among other things, criteria should encompass items such as:

- Cost/benefit justifications to identify appropriate circumstances for contracted rather than state-provided services or expertise.
- Competitive vendor selection to ensure cost-effective provision of required services from a qualified supplier.
- Sole source utilization guidelines to acquaint agencies with negotiating approaches that can protect the state's interests when only one qualified vendor exists.
- Emergency services documentation to support actions which are necessary, but circumvent normal procedures.
- Standard provisions to establish uniform requirements wherever appropriate to simplify contract preparation.
- Contract execution, administration and compliance monitoring guidelines to permit agencies to develop viable agreements which deal fairly with both parties."

"313. Create a Division of Vehicle and Equipment Management. Major fleet operations are administered by the Department of Transportation, Vehicle Dispatcher Division in the Department of General Services and Board of Regents. No single agency is responsible for establishing fleet policies or coordinating purchasing/maintenance activities to ensure cost-effective operations. A new Division of Vehicle and Equipment Management should be created in the Department of Transportation. It would be responsible for all fleet operations for autos and light trucks throughout state government including the Board of Regents. Duties would involve formulating policies, making purchases, assigning vehicles, providing maintenance and scheduling replacements for all state-owned vehicles. Division personnel would also coordinate the development of standard specifications for heavy equipment such as tractors, buses, trenchers and bulldozers. The department's existing Office of Supplies and equipment would form the nucleus of the division. Additional staff would be reassigned from the Vehicle Dispatcher Division. One of the first activities of the new division would be to review the overall size of the state's fleet. An examination of the vehicles assigned to the Department of Transportation for its own use indicates a minimum of 114 vehicles could be sold. The annual saving in operating costs would amount to \$114,000 while the one-time income is estimated at nearly \$240,000. Vehicle claims adjustment would be another responsibility of the proposed division. A Fleet Safety Office should be established to develop a comprehensive safety program, investigate accidents involving state cars and recommend disciplinary action when appropriate. It would also administer a program to ensure that drivers of state cars complete a defensive driving course to help reduce the incidence of accidents. By assuming the liability exposure on state vehicles up to a maximum of \$1-million per occurrence, current insurance premiums could be reduced for a net annual saving of approximately \$290,000. If the state establishes a comprehensive risk management operation, auto insurance responsibilities should be transferred to this new unit."

Table 9, on the following page, assesses, based on GEC '79 working papers, these recommendations in relation to the guidelines used to analyze the Purchasing Division operations.

TABLE 9

Expected Impact of GEC '79 Recommendations

U.S. General Accounting Office Guideline Questions	41. Centralize buying responsibilities for major commodities.	42. Improve administration of consulting and service contracts.	313. Create a Division of Vehicle and Equipment Management (in DOT).
Is there statutory authority for placing purchasing authority with one official or department?	NO CHANGE IN STATUTORY EXEMPTIONS-Centralizes responsibility for certain commodities thereby eliminating duplicate activity in contract negotiation and administration.	INCREASES EXTENT OF STATUTORY DELEGATION-Centralizes control over consulting and service contracts, but establishes separate authority.	NO CHANGE IN STATUTORY EXEMPTIONS-Shifts and centralizes responsibility for procurement of a certain product (vehicles) thereby eliminating some duplication (see #41).
Does the authorization prohibit delegation of portions of the authority to other units in the government?	Would CLARIFY AND MAY REVISE the de-facto delegations arising from the statutory exemptions currently in state law.	Would PROHIBIT FUTURE DELEGATION of authority for consulting and service contract procurement guidelines.	Would LIMIT FUTURE DISPERSION of vehicle procurement authority.
If not, what delegations of authority are currently in effect?	NO CHANGE EXPECTED.	Changes current delegation of authority for certain contract services.	NO CHANGE EXPECTED.

Conclusions

The Program Evaluation Team concludes that extensive duplication in purchasing activity exists among the four major organizations responsible for state procurement. State law provides exemptions from centralized purchasing to DOT, BoR, and the Blind Commission, as well as other state agencies. While state law clearly provides an avenue for cooperation among these entities, it is just as clear in its delegation of procurement authority to the separate organizations. The information presented in this chapter indicates that cooperation among the purchasing agencies is limited, as duplicate activity is evident in procurement of most commodities.

The Program Evaluation Team concludes that delegation of responsibility to Capitol Complex agencies for the procurement of certain services is excessive. Procurement of certain services is, by Administrative Code, the responsibility of individual agencies. State law allows this situation only when direct (decentralized) purchasing is at least as economical as centralized purchasing. Procurement of services such as professional consultation and office machine service contracts can be more economically obtained and effectively managed by a centralized authority with more resources and expertise than separate agencies. Delegation of these responsibilities to separate agencies is believed to exceed legislative intent.

The Program Evaluation Team concludes that the recommendations of the Governor's Economy Committee '79 are limited in centralizing responsibility for state procurement. The recommendations do centralize purchasing responsibilities for certain commodities, but do not attempt to eliminate the exemptions provided in state law. This is a major limitation. The recommendations also create a new authority to control procurement of professional and service contracts by individual agencies. This has the effect of further fragmenting the current legal authority of the Purchasing Division. Improvement can be expected to result from implementation of these recommendations, but the limitations imposed by the statutory exemptions will present major barriers to cooperation.

COOPERATIVE PURCHASING

Cooperative purchasing is an extension of the concept of centralized state purchasing. Cost reduction through large volume state contracts and reduced need for competitive bidding on the local level are generally believed to be the advantages to local government of strong cooperative purchasing programs. The U.S. General Accounting Office guidelines reflect a preference for extensive use of cooperative arrangements.

The concept of cooperative purchasing refers primarily to cooperative arrangements with local units of government and may be extended to include cooperative arrangements between major state purchasing authorities. Discussion of the arrangement between state purchasing agencies is contained in the preceding chapter; this chapter addresses state and local cooperative purchasing.

Program Evaluation Team Assessment

Table 10, on the following page, presents the Program Evaluation Team's assessment of the current policies and procedures governing the Purchasing Division functions related to cooperative purchasing.

The Program Evaluation Team requested information on the participation of local government related to use of state contracts. Data regarding actual utilization are generally not available as neither vendors nor local government users are required to report use of the state contract. Information on the requests received for copies of state contracts was provided by the Purchasing Division. Table 11, on page 17, illustrates the number of local governments requesting state contract information and the percentage that represents of the total of that type of government in Iowa.

In addition to local governments listed in Table 11, the administrative rules of the department provide opportunities (not requirements) for participation in the state purchasing program to semi-autonomous substate organizations that receive state funds for operations (450-2.9(18) of IAC). Table 12, on page 17, illustrates the participation of these "satellite" offices related to four different state agencies.

TABLE 10

Cooperative Purchasing

Program Evaluation Team Assessment

U.S. General Accounting Office Guideline Questions	Program Evaluation Team Assessment
Does purchasing enter into joint or cooperative purchasing agreements with local government?	YES. While no formal agreements currently exist, local governments have requested the state to negotiate certain contracts primarily for common local procurement requirements (sheriff's uniforms, etc.) and the state has done so. No administrative rules exist to govern such arrangements.
Does purchasing allow local government to purchase from state contracts?	YES. Chapter 18.6(7)(1979 Code) requires provision of a list of available state contracts to political subdivisions of the state. The administrative rules ((450)2.19 (18) of IAC) require provision of the list on request. The list is limited to Purchasing Division contracts and is not a master list of all state contracts. Table 11 indicates poor local government participation.
Does purchasing have a program for continually searching for ways to increase potential savings through increased use of cooperative purchasing arrangements?	NO. No specific authority or mandate except as noted above is provided in state law.

TABLE 11

Local Government Requests for State Contracts

1979

<u>Type of Government (Number)</u>	<u>Number Requesting Information</u>	<u>% of Total In State</u>
Cities (955)	46	5%
Counties (99)	46	46%
School Districts (445)	40	9%
Area Comm. Colleges (15)	4	27%
Other (unknown)	14	--

TABLE 12

"Satellite" Office Participation in Central Purchasing

<u>State Agency</u>	<u>"Satellite" Offices</u>	<u>Do They Participate?*</u>	<u>Comment*</u>
Aging, Commission on	Area Agencies on Aging	Not Regularly	Occasional items in the past
Crime Commission, Iowa	Area Crime Commissions	No	
Library Commission	Regional Libraries	Not Regularly	Occasionally for equip- ment
Public Instruction, Department of	Area Education Agencies	No	Do cooperate with local school boards in "Pooled Purchasing"

*NOTE: As reported by state managers of the state agencies.

GEC '79 Report Recommendations

Three recommendations of the Governor's Economy Committee, 1979, are related to the issue of cooperative purchasing between the state and political subdivisions of the state. These recommendations

are presented below as published in the GEC '79 Report.

"46. Develop a master list of general contracts for use by state and local government agencies. General contracts are negotiated for a number of items, but no master list is available to encourage their use by eligible agencies and government entities. A procedure should be established to produce an updated list on a regular basis and distribute it to appropriate government organizations."

"172. Expand the pooled purchasing plan. Seven AEA's participate in a pooled purchasing plan, although two do so to only a limited extent. Savings of from 20% to 30% are reported on supplies and equipment obtained under the plan. Total expenditures amount to \$1.8-million or about 2.6% of an annual materials and supplies budget of \$68-million.

The Department of Public Instruction should encourage all 15 AEA's to use pooled purchasing programs. Both LEA's and area colleges could participate.

Information on currently available state contracts should be provided to the Executive Directors of the Iowa Association of School Boards and the Iowa Council of Area School Boards for appropriate dissemination. An annual reduction of 10% in the expenditure level should be possible, resulting in a saving of \$694,000 in state and \$694,000 in local funds."

"173. Negotiate a statewide contract for school bus purchases. By law, the Department of Public Instruction is responsible for establishing school bus construction and safety standards. Specifications are provided in a manual which is used by the state's 445 local school districts to solicit bids for new vehicles. However, no attempt is made to achieve economies of scale through consolidated buying.

Kentucky, North Carolina, Texas, New York and Oklahoma have realized substantial savings by negotiating statewide contracts for their bus purchases. Based on present expenditures, a similar undertaking in Iowa could save \$883,000 in state and \$815,000 in local funds each year, based on an estimated annual replacement level of about 650 buses."

On the following page, Table 13 presents the expected impact of these recommendations on the cooperative purchasing functions of the Purchasing Division. This assessment is based on information contained in GEC '79 working papers.

TABLE 13

Expected Impact of GEC '79 Recommendations

<p>U.S. General Accounting Office Guideline Questions</p>	<p>46. Develop a master list of general contracts for use by state and local government agencies.</p>	<p>172. Expand the pooled purchasing program.</p>	<p>173. Negotiate a statewide contract for school bus purchases.</p>
<p>Does purchasing enter into joint or cooperative purchasing agreements with local government?</p>	<p>NO CHANGE EXPECTED-No formal arrangements with local government are contemplated.</p>	<p>NO CHANGE EXPECTED-No formal agreements are required.</p>	<p>REQUIRES USE OF STATEWIDE CONTRACT.</p>
<p>Does purchasing allow local government to purchase from state contracts?</p>	<p>MAY INCREASE PARTICIPATION BY LOCAL GOVERNMENT-More comprehensive listings of state contracts and improved distribution of these lists may encourage participation.</p>	<p>MAY INCREASE PARTICIPATION BY AREA AND LOCAL SCHOOLS-Better distribution of state contract listings may encourage participation.</p>	<p>REQUIRES PARTICIPATION.</p>
<p>Does purchasing have a program for continually searching for ways to increase potential savings through increased use of cooperative purchasing arrangements?</p>	<p>MAY INCREASE USE OF STATE CONTRACTS-Does not establish an aggressive program or mandates.</p>	<p>EXPANDS CURRENT COOPERATIVE PROGRAM. DOES NOT INCREASE PURCHASING'S MANDATE.</p>	<p>REQUIRES COOPERATION. DOES NOT INCREASE PURCHASING'S MANDATE.</p>

Conclusions

The Program Evaluation Team concludes that legislative intent has not been implemented through the current method for distribution of state contract lists to political subdivisions. Distribution to political subdivisions of state contract lists is based on publication and dissemination of the information through the various associations of local government and at the request of local governmental bodies. State law provides for distribution to political subdivisions; it does not contain provisions to allow for distribution on a request basis.

The Program Evaluation Team concludes that participation by local government and satellite offices in the use of state contracts and procurement is poor. Procedures for distribution of contract information and information on available opportunities for local participation are inadequate to achieve their purpose.

The Program Evaluation Team concludes that improved local government participation can be achieved by implementation of the GEC '79 recommendations. Increased participation by local government and substantial cost savings can be expected to result, if required for school bus purchases, or encouraged by development of a master list of general contracts.

The Program Evaluation Team concludes that the GEC '79 recommended procedures for distribution of state contract listings are not adequate to meet legislative intent. State law implies that distribution should be made directly to all political subdivisions. The recommendations suggest state distribution to county governments and then rely on the counties to distribute the lists to cities within the county.

PLANNING, SCHEDULING, AUDIT AND EVALUATION

Planning and scheduling of purchases is a key link in any procurement function. These activities can produce significant economies in future purchases of commonly required commodities through consolidation of purchases, changes in contract terms, analysis of specific alternative purchasing decisions, and market research. A major requirement for effective development of this capacity is adequate, timely information.

Information is also a major requirement for effective audit and evaluation. Audit and evaluation of the procurement function can, in turn, result in changes that promote economy and service.

This chapter presents information on the Purchasing Division activities in these areas.

Program Evaluation Team Assessment

On the following two pages, Table 14 presents the assessment by the Program Evaluation Team of the operations of the Purchasing Division in planning and scheduling of purchases and audit and evaluation of the procurement program.

GEC '79 Report Recommendations

Two recommendations of the Governor's Economy Committee, '79 are designed to result in improvements in planning and scheduling of purchases and audit and evaluation of the state procurement program. The recommendations are presented below as published in the GEC '79 Report.

"44. Develop a comprehensive purchasing data base. The state does not have a comprehensive data base to provide essential information on its purchasing activities. The one-time cost of developing these records is estimated at \$66,000. The proposed system should provide:

- Entries and tabulations on all bids with histories by commodity and bidder.
- Tabulations of purchase orders by commodity and vendor, listed by buyer with due dates shown.

TABLE 14

Planning, Scheduling, Audit, and Evaluation

Program Evaluation Team Assessment

U.S. General Accounting Office Guideline Questions	Program Evaluation Team Assessment
<p>Does purchasing have written instructions governing itself or using departments and agencies--</p> <ol style="list-style-type: none"> 1. to forecast future item needs? 2. to provide past usage data? 	<p>NO. Required in Chapter 18.6(7) to promulgate rules providing a method for state agency filing of a list of needed items. The law is unclear about whether this is to be an annual forecast. No administrative rules exist to implement this subsection.</p>
<p>Is the government's financial management information system structured to accumulate such data as quantities purchased, ordering frequencies, vendor performance, and unit prices per transaction?</p>	<p>NO. The current system (Comptroller's) provides only minimal purchasing volume data. It lacks the capacity to generate any of the information questioned.</p>
<p>Does the purchasing department use market research to secure economic information which may affect purchasing?</p>	<p>NO. Research is not performed regularly on current market conditions of items on long-term contract, changes in agency needs, or cost of transportation.</p>
<p>Are value analysis appraisals made annually for a stipulated percentage of items being procured?</p>	<p>NO. There is no systematic procedure or process for this activity. (Value analysis appraisals are systematic assessments of specific purchases to determine if more economic alternatives exist.)</p>
<p>Does purchasing review, at least annually, past usage and requirement forecasts to assess the potential for consolidating and/or reducing purchase requirements?</p>	<p>YES, TO A LIMITED DEGREE. This information is not easily available and analysis is performed on large volume commodities only.</p>

TABLE 14 (Continued)

U.S. General Accounting Office Guideline Questions	Program Evaluation Team Assessment
Does purchasing have an ongoing program to assess the appropriateness of the manner used to satisfy requirements?	NO. No systematic program of obtaining feedback on agency or vendor satisfaction; purchasing reports frequent contracts on a complaint basis.
Does purchasing make lease versus purchase comparisons in acquiring equipment?	YES. Purchasing is involved in these decisions related to data processing and vehicles; not in other areas. Budget development decisions sometimes preclude purchase options due to high initial costs.
Does purchasing evaluate whether it is more economical to make the item or perform the service in-house versus contracting out?	NO. Purchasing does not regularly undertake such analysis. Chapter 216.8 (1979 Code) requires purchase of available items from Iowa State Industries (Prison Industries) with some exceptions.
Does purchasing-- 1. monitor frequency and volume of purchases of the same or similar items to see whether a term contract might be cheaper? 2. monitor different departments' purchase requests for the same or similar items to see whether consolidation may achieve economies?	NO. The information required for such monitoring is not readily available.
Is there an internal or external audit of the procurement system to evaluate the effectiveness or economy with which it is making purchases?	LIMITED. The Auditor of State performed such an audit in 1975 addressing economy to some extent. No internal audit or evaluation is performed. Efforts are severely hampered by a lack of management information. The <u>GEC '79 Report</u> evaluates the functioning of the Purchasing Division.

- Aging lists of invoices with appropriate detail information such as discounts and dollars paid to date by supplier code.
- Commodity purchasing histories."

"43. Establish guidelines on rent versus buy options. The Purchasing Division negotiates contracts for the rent or purchase of various types of equipment from typewriters to computers. However, there are no specific guidelines to establish cost/benefit criteria when an option exists to either rent or buy. Standard analysis procedures should be developed and used as a matter of routine by division buyers when lease/purchase decisions must be made."

On the following three pages, Table 15 presents the expected impact of these recommendations based on GEC '79 working papers.

TABLE 15

Expected Impact of GEC '79 Recommendations

U.S. General Accounting Office Guideline Questions	44. Develop a comprehensive purchasing data base.	43. Establish guidelines on rent versus buy options.
Does purchasing have written instructions governing itself or using departments and agencies-- 1. to forecast future item needs? 2. to provide past usage data?	WILL MAKE INFORMATION ON PAST USAGE AVAILABLE-This will im- prove Purchasing's ability to project future needs.	NO IMPACT EXPECTED.
Is the government's financial management information system structured to accumulate such data as quantities purchased, ordering frequencies, vendor performance, and unit prices per transaction?	WILL ACCUMULATE AND REPORT THIS INFORMATION-The purchasing data base, if linked to the state's financial management information system, will significantly in- crease quantities of useful information.	NO IMPACT EXPECTED.
Does the purchasing department use market research to secure economic information which may affect purchasing?	NO DIRECT IMPACT EXPECTED-Devel- opment of the data base may free purchasing agent time sufficient- ly to allow increased research.	NO IMPACT EXPECTED.
Are value analysis appraisals made annually for a stipulated percentage of items being procured?	NO DIRECT IMPACT EXPECTED (see above).	NO IMPACT EXPECTED.

TABLE 15 (Continued)

U.S. General Accounting Office Guideline Questions	44. Develop a comprehensive purchasing data base.	43. Establish guidelines on rent versus buy options.
Does purchasing review, at least annually, past usage and requirement forecasts to assess the potential for consolidating and/or reducing purchase requirements?	WILL IMPROVE TECHNICAL CAPACITY- For this annual review.	NO IMPACT EXPECTED.
Does purchasing have an ongoing program to assess the appropriateness of the manner used to satisfy requirements?	NO IMPACT EXPECTED.	NO IMPACT EXPECTED.
Does purchasing make lease versus purchase comparisons in acquiring equipment?	NO IMPACT EXPECTED.	IMPROVED DECISION-MAKING-May result from establishing guidelines; unless implemented during budget development, it may have no real impact.
Does purchasing evaluate whether it is more economical to make the item or perform the service in-house versus contracting out?	WILL IMPROVE TECHNICAL CAPACITY, But improved procedures may be required to meet legislative intent.	NO IMPACT EXPECTED.

TABLE 15 (Continued)

<p>U.S. General Accounting Office Guideline Questions</p>	<p>44. Develop a comprehensive purchasing data base.</p>	<p>43. Establish guidelines on rent versus buy options.</p>
<p>Does purchasing-- 1. monitor frequency and volume of purchases of the same or similar items to see whether a term contract might be cheaper? 2. monitor different departments' purchase requests for the same or similar items to see whether consolidation may achieve economies?</p>	<p>WILL IMPROVE TECHNICAL CAPACITY.</p>	<p>NO IMPACT EXPECTED.</p>
<p>Is there an internal or external audit of the procurement system to evaluate the effectiveness of economy with which it is making purchases?</p>	<p>WILL IMPROVE TECHNICAL CAPACITY for both internal and external audit or evaluation, but legislation may be required to provide for regular external audit of effectiveness.</p>	<p>NO IMPACT EXPECTED.</p>

Conclusions

The Program Evaluation Team concludes that the Purchasing Division's capacity to plan and schedule purchasing efforts is severely hampered by a lack of information. The current management information is limited by the state's financial management information system. Data not extracted regularly from this system must be developed manually and staff time limitations prevent effective generation of this information.

The Program Evaluation Team concludes that systematic market research efforts and value analysis appraisals are generally absent. Staff time limitations restrict the ability of the Purchasing Division to perform such research. Although it is recognized that significant cost savings may be realized through their use, these activities are unaffordable.

The Program Evaluation Team concludes that because systematic comparison of lease versus purchase options on equipment are not made during the budget development process these options are often precluded in future decisions. The high initial cost of purchasing equipment often results in budget development decisions by the state agency that limits the future flexibility of Purchasing Division buyers.

The Program Evaluation Team concludes that the GEC '79 recommendation concerning purchasing data base development will significantly improve the technical capacity of the Purchasing Division. Improved information may result in improved effectiveness by increasing the available information and reducing the need for use of Purchasing Division personnel to manually generate data.

The Program Evaluation Team concludes that the lease/purchase guidelines suggested by the GEC '79, will be of limited effectiveness unless used during budget development. The decision to lease or purchase is often made by agencies during budget development in the absence of guidelines.

INSPECTION AND TESTING

Inspection of the delivery of commodities is a vital link between the vendor and the purchasing agency by providing a check on vendor performance. This is needed for determination of final payment for the purchase and for decisions regarding future use of the vendor. Technical or laboratory testing of product performance can yield information for the development of specifications and standards to insure the quality of the product purchased.

Program Evaluation Team Assessment

Table 16, on the following page, presents the assessment by the Program Evaluation Team of the current policies and operations of the Purchasing Division in the inspection of deliveries and testing of products.

GEC '79 Report Recommendations

There are no recommendations of the GEC '79 that are expected to affect the Purchasing Division's policies and operations related to inspection and testing.

Conclusions

The Program Evaluation Team concludes state policy regarding inspection of deliveries and testing of products is inadequate to insure management control by the Purchasing Division. State law does not provide specific authority and, as a result, the scope of the administrative rules is limited to relying on state agency initiative to accomplish the inspections and to perform product testing. Monitoring of state agency performance of these duties is not performed and no criteria exists to govern the items which should be tested, how often, or by whom.

TABLE 16

Inspection and Testing

Program Evaluation Team Assessment

U.S. General Accounting Office Guideline Questions	Program Evaluation Team Assessment
Does purchasing have the authority to establish and oversee a program of inspection of deliveries to insure that items delivered meet specifications?	NO. Specific authority for this activity is not provided in Chapter 18 (1979 Code).
Are there written instructions governing receipt and inspection of deliveries?	YES. Administrative rules ((450) - 1.6(18) of IAC) exist to govern deliveries, inspection, testing and rejection of commodities. These rules make the receiving agency responsible for such inspection and testing.
Does purchasing routinely monitor the inspection program?	NO. Monitoring is not performed to determine if deliveries are adequately inspected or if appropriate products are tested prior to acceptance.
Has there been a determination as to: 1. The items to be tested to determine compliance with specifications? 2. The frequency of the testing? 3. Those who should do the testing?	NO. General guidelines to indicate when technical or laboratory testing of purchased products is advisable or desirable do not exist. State agencies make these determinations and arrange the testing.

PROPERTY MANAGEMENT

Property management includes control over inventories of expendable commodities (office supplies, food products, etc.) and nonexpendable items (typewriters, office equipment, vehicles, etc.) and the maintenance of appropriate control mechanisms to reduce unnecessary purchasing of items in stock or in surplus storage. Effective management of property and effective linkage of inventory information with purchasing decisions can avoid unnecessary costs resulting from overstocking and operational delays resulting from lack of adequate inventory.

Program Evaluation Team Assessment

Table 17, on the following page, presents the assessment by the Program Evaluation Team of the Purchasing Division operations related to the property management activities of state government.

GEC '79 Report Recommendations

Two recommendations of the Governor's Economy Committee, '79 are directed towards the improvement of property management procedures related to procurement by the Purchasing Division. These recommendations are presented below as published in the GEC '79 Report.

"40. Create a Stores and Inventory Control Section. The Central Supply Section orders, stores and distributes office supplies for agencies in the Capitol Complex. Similar functions are performed by personnel in the Departments of Social Services, Health, Conservation and Revenue. At present, there is no overall control of inventory levels, distribution methods or other factors which contribute to annual carrying costs. A Stores and Inventory Control Section should be created to replace Central Supply and consolidate inventory activities now operating in other departments. Industry experience indicates that effective inventory control systems can reduce associated expenses by at least 15%. Eliminating four current positions and decreasing yearly carrying costs by only 8% would produce an annual benefit of approximately \$125,000 based on current expenditures."

"202. Transfer responsibility for the Woodward warehouse to the Department of General Services. A central warehouse is maintained by the Department of Social Services at the Woodward

Hospital-School to supply foodstuffs to various institutional facilities. The building is relatively new and current operations use less than 50% of available space. In addition to the problem of underutilization, inventory control systems are weak and operation of the truck fleet which distributes goods is inefficient.

The Department of General Services should assume responsibility for this warehouse. It would be able to expand the use of the facility to meet storage requirements for both the Department of Social Services and other agencies within the state. Stronger inventory controls would be substituted for those now in place while improved coordination should correct operational inefficiencies in the fleet."

Table 18, on the following two pages, presents the expected impact of these two recommendations of the Governor's Economy Committee on the property management functions of the Purchasing Division.

TABLE 18

Expected Impact of GEC '79 Recommendations

<p>U.S. General Accounting Office Guideline Questions</p>	<p>40. Create a Stores and Inventory Control Section.</p>	<p>202. Transfer responsibility for the Woodward warehouse to the Department of General Services.</p>
<p>Does purchasing participate in the inventory procedures of the government to insure that--</p> <ol style="list-style-type: none"> 1. expendable property is properly controlled? 2. nonexpendable property is <ol style="list-style-type: none"> a. identified? b. assigned for accountability to specific units of government? 3. periodic inventories of expendable and nonexpendable property are taken? 	<p>WILL IMPROVE INVENTORY CONTROL OVER EXPENDABLE PROPERTY. WILL NOT IMPACT CONTROL OF NON-EXPENDABLE PROPERTY. Creation of this section will eliminate separate agency stockrooms and reduce associated costs as well as improve inventory control.</p>	<p>WILL IMPROVE INVENTORY CONTROL OVER EXPENDABLE PROPERTY. Transfer will increase centralized control of state warehouses.</p>
<p>Does purchasing secure a copy of the inventory documents for all of state government so that it may identify equipment which may be available to reduce or eliminate purchase of additional items?</p>	<p>NO IMPACT EXPECTED.</p>	<p>NO DIRECT IMPACT EXPECTED, BUT TRANSFER WOULD INCREASE SCOPE OF CONTROLLED INVENTORY.</p>

TABLE 18 (Continued)

U.S. General Accounting Office Guideline Questions	40. Create a Stores and Inventory Control Section.	202. Transfer responsibility for the Woodward warehouse to the Department of General Services.
Are spot checks made and records kept of equipment utilization?	NO IMPACT EXPECTED.	NO IMPACT EXPECTED.
Is purchasing assigned the authority to supervise the surplus and scrap programs?	NO IMPACT EXPECTED.	NO IMPACT EXPECTED.
Does purchasing have written procedures for-- 1. timely identification and reporting of surplus and scrap items to purchasing? 2. notifying other departments and agencies of available usable surplus? 3. disposing of unneeded or unusable items?	NO IMPACT EXPECTED.	NO IMPACT EXPECTED.

Conclusions

The Program Evaluation Team concludes that control over Capitol Complex inventories of expendable property is fragmented. Maintenance of separate stockrooms by some Capitol Complex agencies is inefficient and results in ineffective inventory control. This may lead to unnecessary annual carrying costs, unnecessary purchasing, and excessive delays in agency operations.

The Program Evaluation Team concludes that the Purchasing Division's involvement in the control of state inventories of equipment needs improvement. The Purchasing Division currently has no responsibility or authority to control state inventories of equipment or check on equipment utilization. Lack of control may lead to excess purchases of equipment.

The Program Evaluation Team concludes that the GEC '79 recommendations reviewed will improve the Purchasing Division's control of expendable property inventories. Transfer of the Woodward warehouse and creation of a Stores and Inventory Control Section will eliminate the inefficiencies of separate stockrooms and increase the effective use of the Woodward warehouse. It will increase the scope of Purchasing's control over inventories.

The Program Evaluation Team concludes that the GEC '79 recommendations reviewed will not improve control by the Purchasing Division over equipment inventories or utilization. Other recommendations in the GEC '79 Report suggest improvement of equipment inventory controls within individual state agencies, however, procedural linkages between individual agency inventories and purchasing activities will continue to be lacking.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

In Iowa, primary responsibility for procurement of materials, equipment, services and other commodities needed by state government is fragmented among at least four major state organizations:

- Department of General Services-Purchasing Division
- Department of Transportation
- Board of Regents
- Commission for the Blind

This dispersion of the purchasing function is the result of the statutory exemptions in Chapter 18.3(1) of the 1979 Code of Iowa. Unless changed, these exemptions will continue the current decentralization of state procurement responsibilities. This decentralization results in considerable duplication in purchasing activity among at least two of the three major exempt agencies and the Purchasing Division.

The Purchasing Division, due to time and budget limitations, has departmental rules that provide excessive delegations of purchasing responsibilities to individual agencies. These delegated responsibilities include procurement of professional consultation contracts, office machine service contracts, etc.

Legislative intent to promote the availability of state contracts for the use of local government has not been met by the Purchasing Division's method for distribution of contract information. Participation by local government is indicated to be poor, based on a low rate of requests for contract information.

The Purchasing Division's capacity to plan and manage the procurement process is severely hampered by inadequate data processing support and limited management information. Staff time limitations are exacerbated by manual processing of purchase orders and management information.

Sophisticated forms of procurement planning, such as market research, value analysis, lease/purchase analysis, etc., are generally absent due to budget and time limitations compounded by the general inadequacy of management information. In addition, control of lease/purchase decisions by state agencies is inadequate to insure consideration before budget commitments are made. The tendency of agency officials to avoid the initial high cost of purchasing often precludes effective use of this type of analysis.

State policy and procedure regarding inspection of deliveries and testing of products does not establish clear authority for setting inspection and testing guidelines.

Control of inventories of expendable supplies in the Capitol Complex is fragmented among the stockrooms maintained by individual agencies and the Central Supply Section of the Purchasing Division. In addition, the Purchasing Division has no effective control over or information about the equipment inventories of individual agencies.

Most of the GEC '79 recommendations reviewed in this report can be expected to result in improvement of these situations. Key recommendations, supported by the findings of the Program Evaluation Team, suggest:

- Centralizing purchasing responsibilities for specific commodities (#41)
- Developing a master list of state contracts (#46)
- Negotiating a statewide school bus contract (#173)
- Developing a purchasing data base (#44)
- Developing lease/purchase guidelines (#43)
- Creating a Stores and Inventory Control Section (#40)
- Transferring the Woodward warehouse (#202)

Recommendations

The recommendations of the Program Evaluation Team are intended to support and strengthen these selected GEC '79 recommendations and suggest Executive and Legislative actions related to problems not addressed by the GEC '79 Report. The purpose of the following recommendations is to improve the efficiency and effectiveness of the Purchasing Division.

DELEGATION OF PURCHASING AUTHORITY

The Legislative Fiscal Bureau recommends:

1. a. That the Department of General Services, Board of Regents, Department of Transportation, and Commission for the Blind develop a memorandum of understanding by January, 1981, that specifies procedures to accomplish:
 - o A cooperative division of purchasing responsibilities among the agencies designed to limit future duplication
 - o Production of a master list of all state contracts
 - o A comprehensive annual report of purchasing activity by the four agencies and any other agencies exempt by law
- b. That the Iowa Legislature consider revisions to Chapter 18 of the Code of Iowa that will codify the recommended memorandum of understanding or further centralize state procurement in a single department.

2. a. That the Department of General Services amend departmental rules to restrict the current delegation of purchasing responsibilities to individual agencies and develop a budget proposal to implement the proposed rule changes.
- b. That the Iowa Legislature fund operations necessary to centralize professional consultation contract procurement and other services from the revolving fund.

COOPERATIVE PURCHASING

The Legislative Fiscal Bureau recommends:

3. That the Department of General Services amend departmental rules on distribution of state contract lists to include:
 - Distribution of current contract lists to every political subdivision
 - Distribution of the recommended master list of state contracts to every political subdivision
4. That the Department of General Services amend departmental rules to require vendor reporting of local government use of state contracts.
5. a. That the Department of General Services develop a legislative and budget proposal for an aggressive program of cooperative purchasing.
- b. That the Iowa Legislature consider revising Chapter 18 of the Code of Iowa to establish a cooperative purchasing program.
- c. That the Iowa Legislature consider General Fund financing of a cooperative purchasing program as a local government assistance program.
6. That the Iowa Legislature revise state law to permit purchase of complete school bus units and require purchase of school buses from a state-negotiated contract.

PLANNING, SCHEDULING, AUDIT AND EVALUATION

The Legislative Fiscal Bureau recommends:

7. a. That the Department of General Services adopt departmental rules establishing guidelines and criteria for analysis of lease/purchase options.
- b. That the State Comptroller adopt departmental rules to insure consideration of lease/purchase options during development of the 1981-83 Biennial Budget.
8. a. That the Department of General Services immediately begin development of a purchasing data base and develop a budget proposal to continue development during the next biennium.
- b. That the Iowa Legislature fund development of a purchasing data base from the revolving fund.

INSPECTION AND TESTING

The Legislative Fiscal Bureau recommends:

9. a. That the Iowa Legislature revise Chapter 18 of the Code of Iowa to provide clear authority and responsibility to the Department of General Services for inspection of deliveries and testing of products.
- b. That the Department of General Services adopt departmental rules to implement uniform inspection and testing procedures and provide monitoring of agency performance.

PROPERTY MANAGEMENT

The Legislative Fiscal Bureau recommends:

10. That the Governor transfer responsibility for the Woodward warehouse to the Department of General Services.
11. a. That the Department of General Services and the State Comptroller develop a legislative and budget proposal to limit agency stockrooms in the Capitol Complex and create a Stores and Inventory Control Section within the Purchasing Division.
- b. That the Iowa Legislature revise Chapter 18 of the Code of Iowa to limit agency stockrooms in the Capitol Complex and strengthen the stores and inventory control responsibilities of the Department of General Services.

APPENDIX A
 DIGEST OF SELECTED RECOMMENDATIONS
 Governor's Economy Committee '79

Reviewed by Program Evaluation Team

<u>Recommendations</u>	<u>Action Required</u>	<u>Financial Impact</u>	<u>Estimated Amount</u>
DEPARTMENT OF GENERAL SERVICES			
<u>Purchasing Division</u>			
40. Create a Stores and Inventory Control Section.	Legislative	Annual Saving	\$125,000
41. Centralize Buying Responsibilities for Major Commodities.	Legislative		
42. Improve Administration of Consulting and Service Contracts.	Legislative		
43. Establish Guidelines on Rent Versus Buy Options.	Executive		
44. Develop a Comprehensive Purchasing Data Base.	Executive	One-Time Cost	\$ 66,000
46. Develop a Master List of General Contracts for Use by State and Local Government Agencies.	Executive		
DEPARTMENT OF PUBLIC INSTRUCTION			
172. Expand the Pooled Purchasing Plan.	Executive	Annual Saving (Local)	\$694,000 (\$694,000)
173. Negotiate a Statewide Contract for School Bus Purchases.	Legislative	Annual Saving (Local)	\$883,000 (\$815,000)
DEPARTMENT OF SOCIAL SERVICES			
202. Transfer Responsibility for the Woodward warehouse to the Department of General Services.	Executive		
DEPARTMENT OF TRANSPORTATION			
313. Create a Division of Vehicle and Equipment Management.	Legislative	Annual Saving One-Time Income	\$404,000 \$240,000

Other Relevant Recommendations (Not Reviewed)

<u>Recommendations</u>	<u>Action Required</u>	<u>Financial Impact</u>	<u>Estimated Amount</u>
DEPARTMENT OF GENERAL SERVICES			
45. Provide the Capability to Generate Multiple Payments Against a Single Purchase Order.	Executive		
47. Maintain a Control Ledger for all Numbered and Unnumbered Purchase Order Forms.	Executive		
OFFICE OF STATE COMPTROLLER			
87. Implement a Comprehensive Financial Management Information System to Meet User Needs.	Executive	One-Time Cost	\$500,000
91. Modify Current Procurement Procedures (Data Processing).	Executive		
111. Streamline Invoice Payment Procedures.	Executive	Ann. Sav. One-Time Cost	\$ 1,000 \$ 1,000
112. Establish Imprest Petty Cash Funds for all Agencies.	Executive	Annual Saving	\$ 12,000
BOARD OF REGENTS			
138. Improve Cost-Effectiveness of the Board's Fleet Operations.	Executive	Ann. Sav. One-Time Income	\$183,000 \$157,000
148. Automate Inventory Controls for Storeroom Operations (U of I).	Executive	Ann. Sav. One-Time Cost	\$ 90,000 \$105,000
152. Expand Utilization of Computer Resources to Increase Operational Efficiency (ISU).	Executive	Ann. Sav. One-Time Cost	\$ 45,000 \$ 40,000
154. Reduce Processing Costs for Purchase Orders (ISU).	Executive	Annual Saving	\$ 40,000
161. Reduce Processing Costs for Purchase Orders (UNI).	Executive	Annual Saving	\$ 13,000

	<u>Recommendations</u>	<u>Action Required</u>	<u>Financial Impact</u>	<u>Estimated Amount</u>
163.	Consolidate Support Operations to Improve Efficiency (UNI).	Executive	Annual Saving	\$ 55,000
EDUCATIONAL RADIO AND TV FACILITY BOARD				
185.	Use the State Warehouse to Store Excess Supplies.	Executive	Annual Saving	\$ 5,000
COMMISSION FOR THE BLIND				
188.	Use State Warehouse Facilities if Possible.	Executive		
DEPARTMENT OF SOCIAL SERVICES				
214.	Computerized Recordkeeping for the Food Distribution Program.	Executive	Annual Saving	\$ 9,000
219.	Increase Meal Production and Reduce Food Inventories at Mount Pleasant.	Executive	Annual Saving	\$ 60,000
221.	Alter Food Service Procedures at Woodward.	Executive	Annual Saving	\$ 74,000
222.	Increase Production Levels and Reduce Inventories at Independence.	Executive	Annual Saving	\$133,000
233.	Improve Procedures for Purchasing Raw Materials Required by Iowa State Industries.	Executive		
237.	Enhance Food Service Operations at Fort Madison.	Executive	Annual Saving One-Time Cost	\$123,000 \$ 51,000
238.	Improve Control of Staples at Anamosa.	Executive		
BEER AND LIQUOR CONTROL DEPARTMENT				
304.	Modify Department Inventory Practices.	Executive	Annual Saving	\$ 80,000

<u>Recommendations</u>	<u>Action Required</u>	<u>Financial Impact</u>	<u>Estimated Amount</u>
DEPARTMENT OF TRANSPORTATION			
317. Increase Purchasing Authorization Levels for Resident Maintenance Engineers.	Executive		
318. Increase the Cost-Effectiveness of Department Fleet Operations.	Executive	Annual Saving	\$152,000
DEPARTMENT OF PUBLIC DEFENSE			
321. Reduce the Number of Cars Assigned to the Office of Disaster Services.	Executive	Annual Saving One-Time Income	\$ 2,000 \$ 7,000
DEPARTMENT OF PUBLIC SAFETY			
327. Monitor Possible Abuses of Pool Vehicles in the Capitol Complex.	Executive		
DEPARTMENT OF ENVIRONMENTAL QUALITY			
337. Adjust Procurement Staff Levels to Reflect Work Load.	Executive	Annual Saving	\$ 38,000
CONSERVATION COMMISSION			
344. Inventory Fixed Assets and Improve Acquisition Criteria.	Executive		

APPENDIX B

CHECKLIST FOR EVALUATING LOCAL GOVERNMENT PROCUREMENT
OF SUPPLIES, MATERIALS, EQUIPMENT & SERVICES

<u>Topics & Questions</u>	<u>Yes</u>	<u>No</u>	<u>Comments</u> (Explanation for "no" answers, further data on "yes" answers)
I. AUTHORITY & RESPONSIBILITY			
A. Is there statutory or ordinance authority for placing purchasing authority with one official or department?	—	—	
1. Does the authorization extend to federally funded programs?	—	—	
2. Does the authorization prohibit delegation of portions of the authority to other units in the government?	—	—	
3. If not, what delegations of authority are currently in effect? (List in <u>Comments</u>)	—	—	
B. Is there a written procurement statute, ordinance, or policy statement—	—	—	
1. locating purchasing responsibility in a special position within the government independent of major using activities?	—	—	
2. describing the overall purchasing goals & objectives?	—	—	
3. specifying the authority of the purchasing department in all aspects of acquisition, contract administration, quality assurance, and surplus property transfer and disposal?	—	—	
4. specifically setting out all aspects of purchasing delegated to other departments, and the manner in which such activities are to be monitored & controlled by purchasing?	—	—	

<u>Topics & Questions</u>	<u>Comments</u>	
	<u>Yes</u>	<u>No</u>
5. providing that purchasing may promulgate implementing regulations?	—	—
6. covering a code or standard of conduct governing the performance of purchasing officials and personnel as well as contractors or their agents?	—	—
C. Do the statutes, ordinances, or regulations prescribe dollar limits for each of the varying degrees of formality used in soliciting bids?	—	—
1. If so, list source, limits, and degree of formality in comments.	—	—
D. Does purchasing have written policies & guidelines defining what factors are to be considered in determining the responsiveness of a bid as well as the contractor's capacity to perform?	—	—
1. Are these factors included in the invitation for bids so that the potential bidder knows what is required?	—	—
E. Does purchasing have written policies & guidelines governing the use in the bid specification of such clauses as--		
1. Option for additional units above the specific quantity?	—	—
2. Alternate prices, with & without trade-ins?	—	—
3. Conditions under which all bids may be rejected in whole or in part?	—	—

<u>Topics & Questions</u>			<u>Comments</u>
	<u>Yes</u>	<u>No</u>	(Explanation for "no" answers, further data on "yes" answers)
II. PLANNING & SCHEDULING ACQUISITIONS			
A. Is the purchasing department included in all top-level planning affecting future procurement practices or needs?	—	—	
B. Does purchasing have written instructions governing itself or using departments and agencies--			
1. to forecast future item needs?	—	—	
2. to provide past usage data?	—	—	
C. Is the government's financial management information system structured to accumulate such data as quantities purchased, ordering frequencies, vendor performance, and unit prices per transaction?	—	—	
D. Does the purchasing department use market research to secure economic information which may affect purchasing, such as--			
1. current market conditions of items bought on long-term contracts?	—	—	
2. changes in local program needs?	—	—	
3. technical progress affecting supply or equipment production?	—	—	
4. seasonal requirements or fluctuating markets?	—	—	
5. transportation costs?	—	—	
E. Are value analysis appraisals made annually for a stipulated percentage of items being procured?	—	—	

<u>Topics & Questions</u>	<u>Yes</u>	<u>No</u>	<u>Comments</u> (Explanation for "no" answers, further data on "yes" answers)
1. If so, which of the following considerations are covered by the appraisals--			
a. new sources of supply?	—	—	
b. standardization of items?	—	—	
c. identification of new and better products?	—	—	
d. identification of alternative products, including aspects of price and quality?	—	—	
e. storing and handling, vendor stocking costs?	—	—	
f. other? Specify _____			
F. Does purchasing review at least annually past usage and requirement forecasts to assess the potential for consolidating and/or reducing purchase requirements?	—	—	
G. Does purchasing have an ongoing program to assess the appropriateness of the manner used to satisfy requirements?	—	—	
1. Does the program involve the use of questionnaires or discussions with other government units as well as prospective suppliers?	—	—	
H. Does purchasing use for satisfying requirements contracting methods such as--			
a. definite quantity, definite period?	—	—	
b. minimum (guarantee) quantity, definite period?	—	—	

<u>Topics & Questions</u>	<u>Yes</u>	<u>No</u>	<u>Comments</u>
			(Explanation for "no" answers, further data on "yes" answers)
c. estimated (indefinite) quantity, definite period?	—	—	
d. estimated (indefinite) quantity, indefinite period (until canceled by either party)?	—	—	
1. Has the decision to use a particular form of contracting for satisfying specific requirements been reassessed during the last year?	—	—	
I. Does purchasing make lease v. purchase comparisons in acquiring equipment, such as vehicles?	—	—	
J. Does purchasing evaluate whether it is more economical to make the item or perform the service in-house v. contracting out?	—	—	
K. Does purchasing--			
1. monitor frequency & volume of purchases of the same or similar items to see whether a term contract might be cheaper?	—	—	
2. monitor different departments' purchase requests for the same or similar items to see whether consolidation may achieve economies?	—	—	
3. have written procedures to govern how such potential is to be identified?	—	—	
4. require that requisitions or purchase requests be signed by responsible department officials?	—	—	

Comments
 (Explanation for "no"
 answers, further data
 on "yes" answers)

<u>Topics & Questions</u>	<u>Yes</u>	<u>No</u>
III. COMPETITION		
A. Does a statute, ordinance, or regulation require purchasing to use competitive procedures for acquiring supplies, materials, equipment, and services other than professional?	—	—
1. Does purchasing--		
a. participate in contracting for professional services?	—	—
b. prescribe procedures followed in such contracting?	—	—
c. review the procurements made for compliance with such procedures?	—	—
B. In securing formal bids for contract purchases, does purchasing--		
1. prepare or have the authority for review & approval of bid invitations?	—	—
2. maintain & update a list of prospective bidders?	—	—
3. have written criteria governing the addition, deletion, and reinstatement of bidders and vendors, and the potential of bidders to perform under the terms and conditions of the proposed procurement?	—	—
4. have written procedures governing the receipt, control, opening & evaluation of bids?	—	—
5. have authority to determine which bids have the terms & conditions of the invitation?	—	—

<u>Topics & Questions</u>	<u>Yes</u>	<u>No</u>	<u>Comments</u>
			(Explanation for "no" answers, further data on "yes" answers)
6. maintain a record (such as a bid history record) to help purchasing identify collusive bidding practices?	—	—	
C. Is there a provision governing procurement when formal bidding is not required?	—	—	
1. Are written records required for all informal negotiations except imprest fund purchases?	—	—	
2. Is the number of vendors required to be contacted under various conditions specified?	—	—	
D. Is there a policy stipulating the conditions under which blanket purchase orders may be used?	—	—	
E. Is there a provision defining the special procedures to be followed when competitive procedures are not used—			
1. in emergencies?	—	—	
2. where there is no responsible competition, or one source; where patents or proprietary rights exist; or where standardization/interchangeability is advantageous?	—	—	
3. when items are to be acquired solely for testing?	—	—	
F. Are there statutes, regulations, or policies affecting open competition, such as "local purchase" requirements?	—	—	
G. Is there a formal program for identifying suppliers not previously solicited?	—	—	

<u>Topics & Questions</u>	<u>Yes</u>	<u>No</u>	<u>Comments</u>
			(Explanation for "no" answers, further data on "yes" answers)
1. Is there a requirement to document the results of the program periodically?	—	—	
IV. STANDARDIZATION & SPECIFICATIONS			
A. Does purchasing standardize items commonly used by two or more departments or agencies?	—	—	
1. Is there a central stockroom from which all departments & agencies are required to draw supplies & equipment?	—	—	
2. Is there a catalog of items available from the stockroom?	—	—	
B. Does purchasing require written justification for item acquisition outside the stockroom standard?	—	—	
C., Where specifications are prepared for special items or services by departments & agencies, does purchasing have the power to review, modify, and approve them?	—	—	
1. Are brand names avoided or expressly stated to be only descriptive (identifying salient features) and not restrictive?	—	—	
2. Are performance specifications rather than prescriptive specifications used?	—	—	
D. Does purchasing consider using commercial standards, or specifications developed by the Federal, State, or other local government units and found acceptable, in lieu of developing its own specifications?	—	—	

<u>Topics & Questions</u>	<u>Yes</u>	<u>No</u>	<u>Comments</u>
			(Explanation for "no" answers, further data on "yes" answers)
E. Does purchasing use qualified product lists or lists of acceptable brands as an alternative to developing its own specifications?	—	—	
1. Are there written criteria covering procedures for placing and removing products and brands from these lists?	—	—	
V. INSPECTION & TESTING			
A. Does purchasing have the authority to establish and oversee a program of inspection of deliveries to insure that items delivered meet specifications?	—	—	
B. Are there written instructions governing receipt & inspection of deliveries?	—	—	
C. Does purchasing routinely monitor the inspection program?	—	—	
D. Has there been a determination as to:			
1. The items to be tested to determine compliance with specifications?	—	—	
2. The frequency of the testing?	—	—	
3. Those who should do the testing?	—	—	
E. Are there written procedures covering the handling of user and/or contractor complaints?	—	—	
VI. PROPERTY MANAGEMENT			
A. Does purchasing participate in the inventory procedures of the government to insure that--			

<u>Topics & Questions</u>	<u>Comments</u>	
	<u>Yes</u>	<u>No</u>
1. expendable property is properly controlled?	—	—
2. nonexpendable property is		
a. identified?	—	—
b. assigned for accountability to specific units of government?	—	—
3. periodic inventories of expendable and nonexpendable property are taken?	—	—
B. Does purchasing secure a copy of the inventory documents for all units of government so that it may identify equipment which may be available to reduce or eliminate purchase of additional items?	—	—
C. Is purchasing assigned the authority to supervise the surplus and scrap programs?	—	—
1. Are spot checks made and records kept of equipment utilization?	—	—
D. Does purchasing have written procedures for—		
1. timely identification and reporting of surplus & scrap items to purchasing?	—	—
2. notifying other departments & agencies of available usable surplus?	—	—
3. disposing of unneeded or unusable items?	—	—

<u>Topics & Questions</u>			<u>Comments</u>
	<u>Yes</u>	<u>No</u>	(Explanation for "no" answers, further data on "yes" answers)
VII. PROFESSIONAL DEVELOPMENT			
A. Does the local government encourage the purchasing officials and technical staffs--			
1. to keep current with procurement trends (e. g., affiliate with professional purchasing associations)?	—	—	
2. to secure formal training and education as a supplement to their job-acquired knowledge?	—	—	
B. Does the local government provide support for (1) & (2) above by providing funding?	—	—	
VIII. COOPERATIVE PURCHASING			
A. If there are no statutory prohibitions, does purchasing--			
1. enter into joint or cooperative purchasing agreements with other local government?	—	—	
2. purchase from State contracts?	—	—	
3. have a program for continually searching for ways to increase potential savings through increased use of cooperative purchasing arrangements?	—	—	
B. Where cooperative purchasing is used, does purchasing have a program for evaluating any additional costs involved to determine whether the total costs may be higher than costs of buying separately?	—	—	

<u>Topics & Questions</u>	<u>Comments</u> (Explanation for "no" answers, further data on "yes" answers)	
	<u>Yes</u>	<u>No</u>
IX. AUDIT & EVALUATION		
A. Is there an internal or external audit of the procurement system to evaluate the effectiveness or economy with which it is making purchases?	—	—
B. Are annual performance goals, both quantitative and qualitative, established for the purchasing unit?	—	—
1. Does purchasing report periodically on its performance?	—	—
2. Is management required to measure the purchasing organization's performance?	—	—
a. If so, is this periodically accomplished and documented?	—	—
3. Which of the following indices are maintained or otherwise available to monitor purchasing activities--		
a. purchasing cost (includes cost of central stores operation) per \$1,000 of procurement?	—	—
b. purchasing cost per purchase order issued?	—	—
c. cost of central stores per \$1,000 of stores procurement?	—	—
d. user complaints?	—	—
e. out-of-stock condition?	—	—
f. dollar value of inventory?	—	—
g. emergency purchases?	—	—
h. other? Specify _____	—	—



DEPARTMENT OF GENERAL SERVICES □ DES MOINES, IOWA 50319

OFFICE OF THE DIRECTOR

HON. ROBERT D. RAY
GOVERNOR

February 26, 1980

STANLEY L. McCAUSLAND
DIRECTOR

JERRY D. GAMBLE
FISCAL OFFICER

Gerry D. Rankin
Legislative Fiscal Director
Legislative Fiscal Bureau
Capitol State Office Building
L O C A L

Dear Mr. Rankin:

I am pleased to be able to reply to the limited evaluation of the Division of Purchasing recently completed by the Program Evaluation Team of the Legislative Fiscal Bureau. Your staff covered a great deal of material in a short time, and we are impressed with the objective and concise manner in which they have reported their findings.

We would like to note that some of the "weaknesses" reported by your staff became apparent when the Division of Purchasing was compared to a federal standard established by the General Accounting Office. These standards may not be desirable in all aspects to the people of Iowa. However, a federal performance audit of the Division of Purchasing using these guidelines might have a deleterious effect on federal funding of agencies, such as the Department of Social Services, Job Services and the Crime Commission, if some attempt is not made to comply with basic federal procurement guidelines. Such an implied threat is contained in the recently issued Attachment 0 of Office of Management and Budget Circular A-102.

Further, we believe that many of these deficiencies are a result of a fiscally responsible approach to the development of the Division of Purchasing since its formation in 1972. The Division of Purchasing submitted budgetary decision packages for the 1980-81 biennium that would have partially addressed many of the recommendations contained in this report.

We would like to offer the following reactions to the conclusions contained in your report:

1. DECENTRALIZATION OF PURCHASE AUTHORITY. We agree that there is a significant amount of decentralization of purchase authority, as well as operational purchase activity, among major state agencies. As the report aptly states on page 9,

Continued....

"Centralizing the purchasing function is an accepted organizational arrangement in both industry and government for the purposes of uniformity efficiency, control and accountability"

We believe that the fundamental mission of the Department of General Services Purchasing Division should be to provide the central procurement authority for State of Iowa Government and that the fundamental missions of the exempt agencies should be in other important directions. The report properly recognizes the key organizational problem that is present. The legislature needs to address the fine line between the need for a central procurement authority with responsibility for all purchasing and the need for a reasonable delegation of day-to-day operational purchasing activity based upon the recognition of considerations for geography, special needs, and staffing.

2. DELEGATION OF PURCHASING RESPONSIBILITIES. We agree that the General Services purchasing administrative rules have delegated purchasing responsibilities for several high dollar items, such as professional consultation contracts, to state agencies because of time and budget limitations. Given the fiscal and operational realities during the formative years of the division, these delegations were considered reasonable. The Department has been aware of the deficiency in this area for several years. In addition to submission of a budget decision package for the 1980-81 biennium addressing this problem, the Department has been working almost two years with the Board of Regents and the Department of Transportation to develop uniform guidelines in this area.

3. COOPERATIVE PURCHASING. We agree that the rate of requests for distribution of state contract information is low. However, we believe that given the personnel and fiscal resources of the Division of Purchasing, the division is complying to the best of its ability with the intent of the legislature as set forth in Section 18.6.7 in the Code of Iowa, by publicizing the availability of state contracts through the organizations of the various political sub-divisions and responding to every request received for this information.

4. PLANNING AND MANAGEMENT. We have agreed for some time that the Purchasing Division's capacity to plan and manage the procurement process has been severely hampered by inadequate data processing support and limited management information. A decision package was submitted for the 1980-81 biennium and on previous occasions seeking to remedy this deficiency. It might also be pointed out that the duplication of purchase authority mentioned earlier has resulted in a duplication of procurement data processing systems among the Regents and the Department of Transportation purchasing entities, although the Department of General Services Purchasing Division has not had resources to even transfer and utilize the best of these programs.

We agree that the Division of Purchasing is unable to perform modern and sophisticated procurement planning and analysis because of the lack of qualified personnel and data processing support.

Continued....

5. INSPECTION AND RECEIVING. We agree that the possibility is great for an increased cost to the State of Iowa through improper inspection and receiving procedures. A decision package was introduced for the 1980-81 biennium that would have established a Standards and Inspection Section of the Division of Purchasing to attack this problem.

6. SUPPLY AND INVENTORY CONTROL. We agree that the number of stock rooms maintained in the Capitol Complex is excessive, and that this situation results in an increased cost for inventory, handling and space. Maintaining stock levels that allow response to agency demands while utilizing modern economic order and inventory control techniques will only be possible with increased data processing support, management information, and the redistribution of personnel within the Capitol Complex.

The following is the Department of General Service reaction to the recommendations contained in the report:

1. DELEGATION OF PURCHASE AUTHORITY.

A. The Division of Purchasing informally has been cooperating with the Board of Regents and the Department of Transportation purchasing personnel in several areas that have had significant impacts. These include the Division of Purchasing contracting for the Board of Regents requirements for motor vehicles, the Board of Regents contracting for all state agencies for pharmaceutical products and the Division of Purchasing contracting for reflectorized sheeting requirements for D.O.T. The D.O.T. has provided limited specifications and standards support to the Division of Purchasing.

Each of these cooperative efforts has been a result of many hours of meetings frequently resembling a United Nations Security Council Session--all three procurement entities have a veto, all can walk out if they disagree on the course of the discussion, and any decisions by the professional staff may well be overruled by Boards and Commissions several organizational levels higher.

In short, without a clear legislative mandate for the recommended memorandum of understanding that contains clear authority for resolving disagreements about the proper locus of the contracting agency, reaching such an understanding may be difficult to achieve. In fact, this problem is recognized on page 14 of the report, where it is stated, "... the limitations imposed by the statutory exemptions will present major barriers to cooperation."

B. Production of a master list of all state contracts would require a mandate establishing one of the procurement entities as a central clearing house and providing the personnel and fiscal resources necessary to maintain an up-to-date list, to maintain a central mailing list and to publish and to mail it.

C. The Department of General Services supports the recommendation for completion of a memorandum of understanding and for further centralizing procurement authority in a central department.

Continued....

D. An annual report should be required only after designation of the authority to compile it and the development of a management information system to support the data collection and analysis in an uniform manner for all state agencies.

E. The Department of General Services has drafted an amendment to its rules that restricts the current delegation of responsibility for professional consulting contracts and will be submitting these changes to the Administrative Rules Committee within the next 30 days. A revised version of the budget decision package submitted for the 1980-81 biennium will be submitted for 1982-83 for the contract procurement function.

2. COOPERATIVE PURCHASING.

A. The Department of General Services believes that without an increase in the FTE and spending authorization of the Division of Purchasing, the recommendations relating to cooperative purchasing cannot be implemented without seriously impacting on the day-to-day response to state agencies' needs.

B. The department favors establishing a properly funded cooperative purchasing program if it is backed by legislative controls which recognize local desires while allowing for the exercise of professional procurement discretion and judgement by the Division of Purchasing.

C. Rules requiring vendor reporting of local use of state contracts should be adopted only after extensive public hearings allowing vendor input into the system to be used and only when staff and data processing support are available to process the information.

D. Legislation has been introduced by the Department of Public Instruction (SB610) in the current session of the General Assembly to carry out the intent of the recommendation relating to purchasing school buses. As originally drafted, this bill would further fragment the procurement function by authorizing DPI to contract for buses. It is the opinion of the Department of General Services that this department should be the only contracting agency for this commodity with standards developed by DPI to be included in the specifications.

For your information, the Division of Purchasing opened bids February 26, 1980, for several state agencies and requested an option to enter into a permissive state-wide contract for cooperative purchasing from the resulting contract. It is our opinion that better prices would be offered if use of this contract were mandatory for the various school boards, and if the Division of Purchasing and DPI could require school boards to report quantities needed prior to issuing the invitation for bids.

3. PLANNING, SCHEDULING, AUDIT AND EVALUATION.

A. The Department of General Services is researching the subject of lease versus buy and will issue guidelines through the Administrative Rules procedure after they have been properly staffed.

Continued....

B. We support the issuance of budgetary guidance by the Comptroller, since it is frequently too late to perform lease versus buy analysis after bids are received because the agency appropriation will only support a capital purchase or an operational lease.

C. A revised decision package from that presented for the 1980-81 biennium will be submitted for the 1982-83 biennium to implement the data recommendation. Systems used by other states and other state agencies will be continuously reviewed in search of low cost alternatives rather than an original development project.

D. We would like to call attention to a possible misunderstanding reported on page 22, table 14, of the report. This indicates that no rules exist to implement Chapter 18.6.7, Code of Iowa. However, a procedure is contained in paragraph 2.4(1)(c), Section 450, Iowa Administrative Code, for pre-itemized purchase lists to be filed by state agencies. This procedure is used on a limited basis for major high volume items because of a lack of data processing support to consolidate lists on all items purchased.

4. INSPECTION AND TESTING. The department supports the recommendation to clearly mandate inspection and testing authority and responsibility within the Division of Purchasing. We would hope that the necessary funding for such a program would be forthcoming, also. Until adequate statutory authority and professional personnel are provided to instruct, to conduct tests and to monitor agency and vendor compliance, the department sees little to be gained from issuing rules.

5. PROPERTY MANAGEMENT.


A. The department supports the recommendation to transfer the Woodward Warehouse, but we recommend that a complete review be given first to the warehousing and distribution requirements for the entire state government with an eye towards establishing a comprehensive system that incorporates currently available facilities, equipment and personnel of all state agencies including the Board of Regents and D.O.T. and serves all outlying state facilities. Consideration also should be given to the potential service such a system might provide to political sub-divisions in the state.

B. The department supports the recommendation for limiting agency stock rooms and will develop plans concurrent with the Lucas Building and Records-Property Center remodeling projects, to consolidate the space currently used for this purpose. A decision package for the recommended Stores and Inventory Control Section will be developed for the 1982-83 biennium.

Continued....

The Department of General Services looks forward to working with the Legislative Fiscal Bureau to implement the recommendations contained in the report.

Sincerely yours,


Stanley L. McCausland
Director of General Services

SLM/np

cc: Jack T. Pitzer - General Services
Bob Deevy - Comptroller Office

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