



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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November 28, 2012

To the Governor and Members of the
General Assembly:

As required by section 11.26 of the Code of Iowa, we hereby submit this report on our review of targeted small business procurement activities for the year ended June 30, 2012. The report includes the results of our review.

A handwritten signature in black ink that reads "David A. Vaudt".

DAVID A. VAUDT, CPA
Auditor of State

A handwritten signature in black ink that reads "Warren G. Jenkins".

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Report on Targeted Small Business Procurement Goals

Introduction

Section 11.26 of the Code of Iowa requires the Auditor of State to annually conduct a review of whether state agencies are meeting their goal for procurement activities and compliance with the forty-eight hour notice provision included in sections 73.15 through 73.21 of the Code of Iowa.

Background

On December 8, 2006, the Targeted Small Business (TSB) Task Force presented six recommendations to Governor Vilsack to improve the TSB program. These recommendations were included in HF 890, which was signed by Governor Culver on May 22, 2007.

Establishment of Procurement Goals

Section 73.16 of the Code of Iowa requires the Director of each state agency or department of state government (agency) having purchasing authority, in cooperation with the TSB Marketing and Compliance Manager of the Iowa Economic Development Authority (IEDA), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal shall include the procurement of goods and services, including construction but excluding utility services. The goal shall be stated in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

Section 73.16(2) of the Code of Iowa also specifies an additional goal to procure at least forty percent of the total value of anticipated TSB procurements of goods and services from minority-owned businesses and forty percent from female-owned businesses. This additional goal was not established for the year ended June 30, 2012 (FY 2012).

Procurement goals are established through phone conversations and e-mails between the TSB Marketing and Compliance Manager and the state agency designee. The TSB procurement goal and the state agencies concurrence with the goal is documented on the Quarterly Reports which are sent to the TSB Marketing and Compliance Manager.

Fourteen of seventy-two state agencies did not set a TSB procurement goal. Twenty-nine of the fifty-eight state agencies which established TSB procurement goals did not set FY 2012 TSB procurement goals greater than their FY 2011 actual TSB spending. However, for twelve of these twenty-nine state agencies, FY 2012 actual TSB spending exceeded the FY 2011 actual TSB spending. As required by section 73.16 of the Code of Iowa, procurement goals for state agencies are to be established at a level which exceeds the procurement level during the previous fiscal year.

Reporting Actual TSB Spending

Agencies with an established TSB procurement goal are required to report the dollar amount of purchases from certified targeted small businesses to the TSB Marketing and Compliance Manager on a quarterly basis within 15 business days following the end of the calendar quarter.

The State Agencies Report summarizes FY 2012 actual TSB spending compared to the respective FY 2012 TSB procurement goals as reported to the IEDA. Two state agencies did not submit all required quarterly reports and various other agencies did not submit all required quarterly reports on a timely basis. In addition, three state agencies did not submit any required quarterly reports.

Although twenty-eight of the seventy-two state agencies did not meet their FY 2012 TSB procurement goals, total FY 2012 actual TSB spending exceeded total FY 2012 TSB procurement goals by approximately \$9,930,500.

The IEDA should continue to work with these state agencies to establish procurement goals in compliance with the Code of Iowa and ensure all required quarterly reports are submitted to the IEDA.

State agencies utilize the TSB Purchases of Goods and Services report, Report ID: FR194, from the Integrated Information for Iowa (I/3) System data warehouse to determine TSB spending to be reported on the quarterly report. The TSB Purchases of Goods and Services report details TSB spending by vendor and identifies the vendor as TSB Women, TSB Minority or TSB Disabled. Vendors identified as a TSB with multiple TSB designations may be included in the TSB Purchases of Goods and Services report under each designation. For example, Monroe Mirror, Inc. is designated as TSB Disabled and TSB Women. As a result, purchases from Monroe Mirror, Inc. are reported twice in the TSB Purchases of Goods and Services report as both TSB Disabled and TSB Women. Five of the ten state agency TSB Purchases of Goods and Services reports reviewed included duplicate expenses. However, with concurrence of various state agencies, various duplications have been corrected in this report.

For five of the ten state agency TSB Purchase of Goods and Service reports reviewed, the FR194 Report included expenses with vendors which should have been removed from the TSB listing prior to FY 2012. In addition, expenses related to four vendors were double counted on the FR194 report.

Although duplicate payments and other items were identified, it does not appear these payments had a significant impact on total TSB spending reported.

Notification of Bids

Section 73.16 of the Code of Iowa requires each agency having purchasing authority to issue electronic bid notices for distribution to the TSB web page forty-eight hours prior to the issuance of bid notices to all vendors. The IEDA has established the TSB website on which agencies post requests for bids. Bid notices are to be posted on the Iowa Department of Administrative Services (DAS) website or the agency's own website at least 48 hours later.

Section 262.34A(2) of the Code of Iowa includes language which exempts the Board of Regents from the forty-eight hour notification requirement.

Bid notices tested were posted to the TSB website forty-eight hours prior to notification to all vendors.

Recommendations to Departments

Recommendations to address the specific issues noted above will be included in the Report of Recommendations for the respective state agencies for the year ended June 30, 2012.

State Agencies Report
Year ended June 30, 2012

No.	Agency	Agency #	FY 2011 Actual Targeted Small Business Spending Reported		FY 2012 Targeted Small Business Procurement Goal	FY 2012 Actual Targeted Small Business Spending Reported	FY 2012 Actual Spending Over (Under) Goal	FY 2012 Actual As a % of Goal
1	Administrative Services	005	\$ 136,940.08	*	\$ 130,000.00	\$ 295,358.94	\$ 165,358.94	227%
2	Agriculture and Land Stewardship	009	213,470.91	*	125,000.00	131,291.42	6,291.42	105%
3	Attorney General	112 & 114	39,783.81	*	30,020.00	22,880.34	(7,139.66)	76%
4	Auditor of State	126	4,327.50		5,500.00	1,561.00	(3,939.00)	28%
5	Blind	131	26,775.42	*	5,000.00	116,995.45	111,995.45	2340%
6	Ethics and Campaign Disclosure	140	825.15	*	510.00	904.50	394.50	177%
7	Civil Rights	167	2,309.00	NG	-	DNR -	-	0%
8	Commerce - Alcoholic Beverages	212	21,166.12		26,000.00	82,938.46	56,938.46	319%
9	Commerce - Banking, Licensing	213 & 217	21,214.12	*	20,000.00	15,539.66	(4,460.34)	78%
10	Commerce - Credit Union	214	2,726.30	NG	-	657.00	657.00	100%
11	Commerce - Insurance	216	24,641.87	NG	-	61,029.69	61,029.69	100%
12	Commerce - Utilities	219	267,690.56	NG	-	268,513.98	268,513.98	100%
13	Corrections - Central Office	238	814.75		2,000.00	257.00	(1,743.00)	13%
14	Corrections -Fort Madison	242	2,326.22		50,010.00	2,268.10	(47,741.90)	5%
15	Corrections - Anamosa	243	16,091.38		25,000.00	85,841.72	60,841.72	343%
16	Corrections - Oakdale Medical and Classification Center	244	84,136.46		90,000.00	17,891.22	(72,108.78)	20%
17	Corrections - Newton	245	17,164.60	*	10,000.00	13,076.26	3,076.26	131%
18	Corrections - Mt. Pleasant	246	1,908.92		3,000.00	2,324.73	(675.27)	77%
19	Corrections - Rockwell City	247	1,182.70		12,610.00	3,448.78	(9,161.22)	27%
20	Corrections - Clarinda	248	2,227.87		5,000.00	4,382.30	(617.70)	88%
21	Corrections - Mitchellville	249	5,639.15	NG	-	5,954.75	5,954.75	100%
22	Corrections - Prison Industries	250	18,611.39		21,000.00	16,705.59	(4,294.41)	80%
23	Corrections - Fort Dodge	252	41,963.18	NG	-	149,035.70	149,035.70	100%
24	Cultural Affairs	259 & 265	15,712.92	*	6,000.00	25,145.81	19,145.81	419%
25	Iowa Economic Development Authority	269, 275 & 301	182,775.00	NG	-	76,701.00	76,701.00	100%
26	Iowa Finance Authority	270	160,172.95	*	75,000.00	170,445.04	95,445.04	227%
27	Education	282	97,178.30		100,000.00	112,185.91	12,185.91	112%
28	Vocational Rehabilitation	283	4,321.00		25,000.00	31,657.26	6,657.26	127%
29	College Aid Commission	284	39,271.75		45,000.00	19,782.79	(25,217.21)	44%
30	Iowa Public Television	285	189,589.73	*	80,150.00	176,595.39	96,445.39	220%
31	Aging	297	9,907.08		10,000.00	6,571.73	(3,428.27)	66%
32	Workforce Development	309	160,015.61	*	155,000.00	175,330.78	20,330.78	113%
33	General Services Capitals	335	375,903.13	*	375,000.00	445,689.66	70,689.66	119%
34	ICN	336	38,846.51	*	26,000.00	116,492.71	90,492.71	448%
35	Governor	350	6,768.45	*	5,030.00	4,776.00	(254.00)	95%
36	Human Rights	379	25,373.37	*	23,200.00	14,372.60	(8,827.40)	62%
37	Human Services - Administration	401	218,997.18		229,947.00	163,301.22	(66,645.78)	71%
38	Human Services - Community Services	402	134,564.62		141,295.00	187,237.63	45,942.63	133%
39	Human Services - Toledo	404	20,714.87	*	1,000.00	8,839.73	7,839.73	884%
40	Human Services - Eldora	405	4,817.90		21,000.00	15,256.83	(5,743.17)	73%

State Agencies Report
Year ended June 30, 2012

No.	Agency	Agency #	FY 2011 Actual Targeted Small Business Spending Reported	FY 2012 Targeted Small Business Procurement Goal	FY 2012 Actual Targeted Small Business Spending Reported	FY 2012 Actual Spending Over (Under) Goal	FY 2012 Actual As a % of Goal
41	Human Services - Cherokee MHI	407	9,179.81	* 4,850.00	6,516.00	1,666.00	134%
42	Human Services - Clarinda MHI	408	10,169.00	* 7,500.00	7,171.60	(328.40)	96%
43	Human Services - Independence MHI	409	11,499.08	NG -	29,500.98	29,500.98	100%
44	Human Services - Mt. Pleasant MHI	410	-	2,000.00	770.46	(1,229.54)	39%
45	Human Services - Glenwood Resource Center	411	5,676.04	35,000.00	19,960.22	(15,039.78)	57%
46	Human Services - Woodward Resource Center	412	226,072.96	NG -	130,582.41	130,582.41	100%
47	Human Services - Assistance Payments	413	429,816.15	451,307.00	296,271.78	(155,035.22)	66%
48	Inspections and Appeals	427	82,436.22	125,000.00	114,557.34	(10,442.66)	92%
49	Public Defender	428	178,597.75	225,000.00	255,962.71	30,962.71	114%
50	Racing and Gaming	429	10,861.28	* 5,000.00	5,442.03	442.03	109%
51	Judicial	444	366,376.02	* 200,000.00	282,499.64	82,499.64	141%
52	Law Enforcement Academy	467	10,943.52	NG -	9,174.11	9,174.11	100%
53	Citizens' Aide/Ombudsman	503	2,302.20	* 2,010.00	1,363.30	(646.70)	68%
54	Legislative Services Agency	504	21,691.60	28,500.00	27,959.38	(540.62)	98%
55	Management	532	5,129.79	* 5,030.00	8,289.50	3,259.50	165%
56	Natural Resources	542 & 543	841,520.76	* 650,000.00	924,436.72	274,436.72	142%
57	Parole Board	547	-	NG -	DNR -	-	0%
58	IPERS	553	92,671.36	* 80,000.00	102,828.31	22,828.31	129%
59	Public Employment Relations Board	572	368.75	1,250.00	-	(1,250.00)	0%
60	Public Defense	582 & 584	53,412.12	60,000.00	44,204.15	(15,795.85)	74%
61	Homeland Security and Emergency Management	583	22,591.00	NG -	4,069.37	4,069.37	100%
62	Public Health	588	258,231.07	260,000.00	684,715.88	424,715.88	263%
63	Public Safety	595	-	NG -	DNR -	-	0%
64	Revenue	625	126,325.87	* 55,000.00	13,690.53	(41,309.47)	25%
65	Secretary of State	635	10,414.70	* 5,000.00	11,143.79	6,143.79	223%
66	Office of Drug Control Policy	642	19,190.00	* 10,000.00	15,798.00	5,798.00	158%
67	Transportation, Capitals	645 & 646	24,490,599.48	* 16,000,000.00	21,448,360.47	5,448,360.47	134%
68	Treasurer of State	655	10,549.25	10,550.00	8,696.61	(1,853.39)	82%
69	Veterans Affairs	670	-	NG -	391.75	391.75	100%
70	Veterans Home	671	87,968.51	90,000.00	61,917.18	(28,082.82)	69%
71	Veterans Home, Capitals	672	120.00	125,000.00	409,878.58	284,878.58	328%
72	Board of Regents		8,889,340.00	* 6,400,100.00	8,672,482.00	2,272,382.00	136%
	Total		\$ 38,912,922.12	\$ 26,717,369.00	\$ 36,647,873.48	\$ 9,930,504.48	

* - FY 2012 TSB procurement goal is less than FY 2011 actual TSB spending.

NG - Goal not established.

DNR - Did not report.

Source: TSB Procurement Goals and Quarterly Reports on file with the Iowa Economic Development Authority.