



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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, 2018. The report includes the results of our review.

Mary Mosiman
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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 (state 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 40% of the total value of anticipated TSB procurements of goods and services from minority-owned businesses, 40% from female-owned businesses and 40% from service-disabled veteran-owned businesses that are targeted small businesses. This additional goal was not established for the year ended June 30, 2018 (FY 2018).

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 in the Quarterly Reports sent to the TSB Marketing and Compliance Manager.

Two of 71 state agencies did not set a TSB procurement goal. However, one of these agencies did not have any budgeted expenditures for 2018. Of the 69 state agencies which established TSB procurement goals, 15 did not set FY 2018 TSB procurement goals greater than their FY 2017 actual TSB spending. However, for 5 of these 15 state agencies, FY 2018 actual TSB spending exceeded the FY 2017 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

State 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 2018 actual TSB spending compared to the respective FY 2018 TSB procurement goals reported to the IEDA. 1 of 71 state agencies did not submit all required quarterly reports on a timely basis. In addition, 1 of 71 state agencies did not submit any required quarterly reports.

Although 40 of the 69 state agencies did not meet their FY 2018 TSB procurement goals, total FY 2018 actual TSB spending exceeded total FY 2018 TSB procurement goals by approximately \$10,808,000.

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

Notification of Bids

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

Section 262.34A(2) of the Code of Iowa includes language which exempts the Board of Regents from the 48 hour notification requirement.

Recommendations to State Agencies

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, 2018.

State Agencies Report

Year ended June 30, 2018

No.	State Agency	Agency #	FY 2017 Actual Targeted Small Business Spending Reported	FY 2018 Targeted Small Business Procurement Goal	FY 2018 Actual Targeted Small Business Spending Reported	FY 2018 Actual Spending Over (Under) Goal	FY 2018 Actual As a % of Goal
1	Administrative Services	005	\$ 100,229.38 *	\$ 100,000.00	\$157,376.15	\$57,376.15	157%
2	Agriculture and Land Stewardship	009	293,416.56	295,000.00	61,006.81	(233,993.19)	21%
3	Attorney General	114	77,009.76	77,100.00	68,566.10	(8,533.90)	89%
4	Auditor of State	126	326.00 *	326.00	56,616.76	56,290.76	17367%
5	Blind	131	5,633.00	10,000.00	28,847.00	18,847.00	288%
6	Ethics and Campaign Disclosure	140	90.50	280.00	136.50	(143.50)	49%
7	Civil Rights	167	13,859.18	14,000.00	5,460.00	(8,540.00)	39%
8	Chief Information Officer	185	215,513.51 *	150,000.00	186,799.09	36,799.09	125%
9	Commerce - Alcoholic Beverages	212	5,407.60	10,000.00	3,222.11	(6,777.89)	32%
10	Commerce - Banking, Licensing	213 & 217	38,182.80	90,000.00	1,134.48	(88,865.52)	1%
11	Commerce - Credit Union	214	-	525.00	621.00	96.00	118%
12	Commerce - Insurance	216	11,981.85	15,000.00	6,766.89	(8,233.11)	45%
13	Commerce - Utilities	219	257,187.59	258,000.00	236,642.09	(21,357.91)	92%
14	Corrections - Central Office	238	87.00	1,000.00	600.00	(400.00)	60%
15	Corrections - Fort Madison	242	204,679.20 *	99,170.00	145,692.20	46,522.20	147%
16	Corrections - Anamosa	243	29,362.11	30,000.00	37,966.35	7,966.35	127%
17	Corrections - Oakdale Medical and Classification Center	244	50,510.31	51,000.00	49,302.07	(1,697.93)	97%
18	Corrections - Newton	245	102,000.70	105,000.00	84,509.04	(20,490.96)	80%
19	Corrections - Mt. Pleasant	246	9,289.88	9,500.00	58,908.06	49,408.06	620%
20	Corrections - Rockwell City	247	6,345.00	12,000.00	7,374.81	(4,625.19)	61%
21	Corrections - Clarinda	248	43,735.03 *	13,000.00	74,417.91	61,417.91	572%
22	Corrections - Mitchellville	249	87,058.98 *	6,600.00	7,834.65	1,234.65	119%
23	Corrections - Prison Industries	250	31,389.86	35,000.00	52,757.86	17,757.86	151%
24	Corrections - Fort Dodge	252	104,910.94 *	46,500.00	38,505.82	(7,994.18)	83%
25	Cultural Affairs	265	45,699.25	45,700.00	38,231.09	(7,468.91)	84%
26	Iowa Economic Development Authority	269, 275 &	1,285.20	38,600.00	104,884.66	66,284.66	272%
27	Iowa Finance Authority	270	85,189.73 *	75,000.00	45,037.75	(29,962.25)	60%
28	Education	282	83,563.20	85,000.00	82,159.31	(2,840.69)	97%
29	Vocational Rehabilitation	283	201,059.05 *	175,020.00	30,656.16	(144,363.84)	18%
30	College Aid Commission	284	9,516.65	45,000.00	10,433.11	(34,566.89)	23%
31	Iowa Public Television	285	89,973.99	89,975.00	51,201.20	(38,773.80)	57%
32	Aging	297	23,649.54	23,650.00	3,376.45	(20,273.55)	14%
33	Workforce Development	309	95,771.22	95,800.00	103,128.49	7,328.49	108%
34	General Services Capitols	335	58,264.42 *	10,000.00	24,460.40	14,460.40	245%
35	ICN	336	144,620.87	150,000.00	171,433.90	21,433.90	114%
36	Governor	350	5,909.48	5,910.00	5,879.52	(30.48)	99%
37	Human Rights	379	25,750.92 *	24,250.00	27,878.26	3,628.26	115%
38	Human Services - Administration	401	2,893.02	3,000.00	9,982.06	6,982.06	333%
39	Human Services - Community Services	402	88,833.78	100,000.00	58,701.40	(41,298.60)	59%
40	Human Services - Eldora	405	10,866.69	21,015.00	41,959.29	20,944.29	200%

State Agencies Report

Year ended June 30, 2018

No.	State Agency	Agency #	FY 2017 Actual Targeted Small Business Spending Reported	FY 2018 Targeted Small Business Procurement Goal	FY 2018 Actual Targeted Small Business Spending Reported	FY 2018 Actual Spending Over (Under) Goal	FY 2018 Actual As a % of Goal
41	Human Services - Cherokee MHI	407	-	2,600.00	1,256.00	(1,344.00)	48%
42	Human Services - Independence MHI	409	12,060.25	12,500.00	30,416.97	17,916.97	243%
43	Human Services - Glenwood Resource Center	411	108,583.03	108,600.00	109,095.78	495.78	100%
44	Human Services - Woodward Resource Center	412	536,074.49	536,075.49	467,790.51	(68,284.98)	87%
45	Human Services - Assistance Payments	413	588,072.21	600,000.00	582,591.61	(17,408.39)	97%
46	Inspections and Appeals	427	92,492.32	92,500.00	81,251.37	(11,248.63)	88%
47	Public Defender	428	182,763.24	183,000.00	201,883.15	18,883.15	110%
48	Racing and Gaming	429	13,990.31 *	11,000.00	-	(11,000.00)	0%
49	Judicial	444	244,763.13	250,000.00	224,615.40	(25,384.60)	90%
50	Law Enforcement Academy	467	25,680.91 *	15,000.00	16,193.28	1,193.28	108%
51	Citizens' Aide/Ombudsman	503	86.00	400.00	11,953.70	11,553.70	3260%
52	Legislative Services Agency	504	27,962.52	56,400.00	8,148.12	(48,251.88)	14%
53	Management	532	502.00	505.00	3,788.25	3,283.25	750%
54	Natural Resources	543	1,146,986.37	1,147,000.00	790,731.24	(356,268.76)	69%
55	Parole Board	547	5,654.00 *	2,500.00	-	(2,500.00)	0%
56	IPERS	553	191,077.37	192,000.00	207,408.55	15,408.55	108%
57	Public Employment Relations Board	572	7,056.00	7,057.00	956.70	(6,100.30)	14%
58	Public Defense	584	111,085.56	120,000.00	109,367.91	(10,632.09)	91%
59	Homeland Security and Emergency Management	583	24,146.20	24,387.66	10,203.32	(14,184.34)	42%
60	Public Health	588	1,013,912.19	1,015,000.00	671,401.13	(343,598.87)	66%
61	Public Information Board	592	-	NG	-	-	NR
62	Public Safety	595	97,564.74	105,000.00	106,333.86	1,333.86	101%
63	Revenue	625	7,543.40	130,000.00	660,683.50	530,683.50	508%
64	Secretary of State	635	33,977.97	100,002.00	19,565.16	(80,436.84)	20%
65	Office of Drug Control Policy	642	293.70	300.00	-	(300.00)	
66	Transportation, Capitals	646	24,642,636.29 *	19,500,000.00	31,286,715.58	11,786,715.58	160%
67	Treasurer of State	655	7,319.35	11,426.00	11,660.75	234.75	102%
68	Veterans Affairs	670	3,863.00	4,000.00	2,023.50	(1,976.50)	51%
69	Veterans Home	671	93,405.68	100,000.00	70,693.12	(29,306.88)	71%
70	Veterans Home, Capitals	672	-	NG	-	-	
71	Board of Regents		10,136,872.00	10,136,962.00	9,821,934.00	(315,028.00)	97%
	Total		\$ 42,017,477.98	36,881,136.15	\$47,689,129.26	10,807,993.11	

* - FY 2018 TSB procurement goal is less than or equal to FY 2017 actual TSB spending.

NG - Goal not established.

NR - No report submitted.

Source: TSB Procurement Goals and Quarterly Reports on file with the Iowa Economic Development Authority and TSB Purchases of Goods and Services report, 1/3 Report ID: FR194.