



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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December 5, 2014

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, 2014. The report includes the results of our review.

A handwritten signature in cursive script that reads "Mary Mosiman".

MARY MOSIMAN, CPA
Auditor of State

A handwritten signature in cursive script 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 (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 and 40% from female-owned businesses. This additional goal was not established for the year ended June 30, 2014 (FY 2014).

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.

Four of 72 state agencies did not set a TSB procurement goal. Of the 68 state agencies which established TSB procurement goals, 37 did not set FY 2014 TSB procurement goals greater than their FY 2013 actual TSB spending. However, for 16 of these 37 state agencies, FY 2014 actual TSB spending exceeded the FY 2013 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 2014 actual TSB spending compared to the respective FY 2014 TSB procurement goals reported to the IEDA. Seven 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, 18 state agencies did not submit any required quarterly reports. However, IEDA obtained the TSB spending information for amounts reported from the TSB Purchases of Goods and Services report, Report ID: FR194, from the Integrated Information for Iowa (I/3) System.

Although 30 of the 68 state agencies did not meet their FY 2014 TSB procurement goals, total FY 2014 actual TSB spending exceeded total FY 2014 TSB procurement goals by approximately \$18,374,000.

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 web page 48 hours prior to the issuance of bid notices to all vendors. The IEDA has established the TSB website on which state agencies post requests for bids. Bid notices are to be posted on the Iowa Department of Administrative Services (DAS) website or the state 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 48 hour notification requirement.

One bid notice tested was posted to the DAS website on the same day it was posted to the IEDA TSB website.

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, 2014.

State Agencies Report
Year ended June 30, 2014

	State Agency	Agency #	FY 2013 Actual Targeted Small Business Spending Reported	FY 2014 Targeted Small Business Procurement Goal	FY 2014 Actual Targeted Small Business Spending Reported	FY 2014 Actual Spending Over (Under) Goal	FY 2014 Actual As a % of Goal
1	Administrative Services	005	\$ 535,618.02	* \$ 130,000.00	\$ 585,917.13	\$ 455,917.13	451%
2	Agriculture and Land Stewardship	009	74,487.71	100,000.00	98,178.28	(1,821.72)	98%
3	Attorney General	112 & 114	29,072.55	30,040.00	60,037.50	29,997.50	200%
4	Auditor of State	126	16,178.90	16,200.00	17,393.16	1,193.16	107%
5	Blind	131	77,610.94	* 20,000.00	34,873.26	14,873.26	174%
6	Ethics and Campaign Disclosure	140	955.50	* 520.00	1,203.00	683.00	231%
7	Civil Rights	167	23,953.17	* 2,500.00	10,026.84	7,526.84	401%
8	Commerce - Alcoholic Beverages	212	180,783.22	250,000.00	258,442.82	8,442.82	103%
9	Commerce - Banking, Licensing	213 & 217	15,859.99	26,001.00	81,654.07	55,653.07	314%
10	Commerce - Credit Union	214	998.00	1,001.00	-	(1,001.00)	0%
11	Commerce - Insurance	216	55,472.58	* 20,000.00	339,494.27	319,494.27	1697%
12	Commerce - Utilities	219	259,640.34	* 250,000.00	179,454.83	(70,545.17)	72%
13	Corrections - Central Office	238	843.00	2,002.00	437.64	(1,564.36)	22%
14	Corrections - Fort Madison	242	9,769.40	50,010.00	25,320.69	(24,689.31)	51%
15	Corrections - Anamosa	243	75,195.50	* 27,000.00	9,688.61	(17,311.39)	36%
16	Corrections - Oakdale Medical and Classification Center	244	54,635.34	* 20,000.00	36,041.36	16,041.36	180%
17	Corrections - Newton	245	30,479.48	* 10,200.00	15,237.50	5,037.50	149%
18	Corrections - Mt. Pleasant	246	686.92	NG -	15,556.61	NG	NG
19	Corrections - Rockwell City	247	6,851.66	12,620.00	12,258.84	(361.16)	97%
20	Corrections - Clarinda	248	9,850.10	10,000.00	2,429.50	(7,570.50)	24%
21	Corrections - Mitchellville	249	17,516.74	* 5,015.00	39,086.57	34,071.57	779%
22	Corrections - Prison Industries	250	30,203.68	* 30,000.00	22,414.61	(7,585.39)	75%
23	Corrections - Fort Dodge	252	61,902.07	* 45,000.00	29,981.65	(15,018.35)	67%
24	Cultural Affairs	259 & 265	17,212.75	20,000.00	38,614.00	18,614.00	193%
25	Iowa Economic Development Authority	269, 275 & 301	29,164.50	50,000.00	42,754.02	(7,245.98)	86%
26	Iowa Finance Authority	270	101,430.09	* 75,000.00	166,224.35	91,224.35	222%
27	Education	282	146,366.08	147,000.00	146,811.55	(188.45)	100%
28	Vocational Rehabilitation	283	66,617.75	75,000.00	111,059.79	36,059.79	148%
29	College Aid Commission	284	29,935.13	45,000.00	20,084.99	(24,915.01)	45%
30	Iowa Public Television	285	76,807.91	81,000.00	114,073.55	33,073.55	141%
31	Aging	297	7,817.08	10,020.00	16,338.63	6,318.63	163%
32	Workforce Development	309	120,398.98	155,020.00	173,830.63	18,810.63	112%
33	General Services Capitals	335	27,732.50	375,000.00	337,714.37	(37,285.63)	90%
34	ICN	336	60,107.49	* 40,000.00	76,716.34	36,716.34	192%
35	Governor	350	6,898.58	* 5,040.00	3,797.81	(1,242.19)	75%
36	Human Rights	379	28,436.61	* 23,250.00	19,216.65	(4,033.35)	83%
37	Human Services - Administration	401	26,509.62	* 19,957.00	29,062.19	9,105.19	146%
38	Human Services - Community Services	402	295,083.81	* 141,305.00	833,288.67	691,983.67	590%
39	Human Services - Toledo	404	16,602.95	* 5,000.00	55,969.77	50,969.77	1119%
40	Human Services - Eldora	405	49,436.31	* 21,000.00	7,524.62	(13,475.38)	36%

State Agencies Report
Year ended June 30, 2014

No.	State Agency	Agency #	FY 2013 Actual Targeted Small Business Spending Reported	FY 2014 Targeted Small Business Procurement Goal	FY 2014 Actual Targeted Small Business Spending Reported	FY 2014 Actual Spending Over (Under) Goal	FY 2014 Actual As a % of Goal
41	Human Services - Cherokee MHI	407	10,446.50	* 4,850.00	2,245.00	(2,605.00)	46%
42	Human Services - Clarinda MHI	408	923.06	7,500.00	971.92	(6,528.08)	13%
43	Human Services - Independence MHI	409	6,839.16	10,000.00	3,283.34	(6,716.66)	33%
44	Human Services - Mt. Pleasant MHI	410	7,290.50	NG -	7,669.33	NG	NG
45	Human Services - Glenwood Resource Center	411	25,720.46	* 21,000.00	35,346.89	14,346.89	168%
46	Human Services - Woodward Resource Center	412	152,242.28	* 100,010.00	110,225.00	10,215.00	110%
47	Human Services - Assistance Payments	413	352,795.61	372,000.00	376,343.50	4,343.50	101%
48	Inspections and Appeals	427	85,500.42	125,000.00	103,470.30	(21,529.70)	83%
49	Public Defender	428	226,386.51	325,000.00	271,375.71	(53,624.29)	84%
50	Racing and Gaming	429	50,533.72	* 5,000.00	3,506.80	(1,493.20)	70%
51	Judicial	444	352,149.98	* 200,000.00	359,783.59	159,783.59	180%
52	Law Enforcement Academy	467	9,010.75	35,000.00	36,824.34	1,824.34	105%
53	Citizens' Aide/Ombudsman	503	269.25	2,000.00	1,882.55	(117.45)	94%
54	Legislative Services Agency	504	6,221.35	6,321.00	17,751.32	11,430.32	281%
55	Management	532	2,542.06	5,040.00	359.00	(4,681.00)	7%
56	Natural Resources	542 & 543	450,513.30	475,000.00	564,363.90	89,363.90	119%
57	Parole Board	547	-	250.00	3,028.29	2,778.29	12.11%
58	IPERS	553	114,323.92	* 85,000.00	181,568.05	96,568.05	214%
59	Public Employment Relations Board	572	15,009.75	* 1,000.00	2,991.05	1,991.05	299%
60	Public Defense	582 & 584	189,967.65	* 150,000.00	129,939.37	(20,060.63)	87%
61	Homeland Security and Emergency Management	583	7,904.65	* 4,100.00	2,383.91	(1,716.09)	58%
62	Public Health	588	502,658.65	* 275,000.00	705,497.16	430,497.16	257%
63	Public Safety	595	75,314.27	* 40,000.00	202,210.45	162,210.45	506%
64	Revenue	625	96,340.66	* 55,020.00	116,946.45	61,926.45	213%
65	Secretary of State	635	77,774.93	* 62,000.00	28,336.01	(33,663.99)	46%
66	Office of Drug Control Policy	642	7,900.98	* 2,500.00	2,932.00	432.00	117%
67	Transportation, Capitals	645 & 646	2,564,519.20	16,002,000.00	21,113,560.66	5,111,560.66	132%
68	Treasurer of State	655	17,470.37	* 11,000.00	5,489.38	(5,510.62)	50%
69	Veterans Affairs	670	1,123.19	* 400.00	342.50	(57.50)	86%
70	Veterans Home	671	152,177.48	* 90,010.00	181,884.60	91,874.60	202%
71	Veterans Home, Capitals	672	1,557.00	NG -	126,697.00	NG	NG
72	Board of Regents		9,156,796.00	NG -	10,425,465.00	NG	NG
	Total		\$ 17,395,346.56	20,818,702.00	\$ 39,192,885.04	7,798,795.10	

* - FY 2014 TSB procurement goal is less than FY 2013 actual TSB spending.

NG - Goal not established.

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