

**IOWA ECONOMIC DEVELOPMENT AUTHORITY –
TARGETED SMALL BUSINESS**

JUNE 30, 2024



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

December 19, 2024

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, 2024. The report includes the results of our review.

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
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 48-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.

Senate File (SF) 514 and SF 513 were effective July 1, 2023 (fiscal year 2024). SF 514 and SF 513 lead to the alignment of the executive branch structure, operations and personnel, reducing the total number of cabinet-level departments from 37 to 16. As a result of the realignment, the goals and actual spending reported for the Iowa Civil Rights Commission, the Department of Cultural Affairs, the College Aide Commission and the Office of Drug Control Policy were included with the new state agency. In addition, the Iowa Lottery had not previously established targeted small business procurement goals or reported actual spending; however, with the realignment, they are a division of the Iowa Department of Revenue, so established a goal and reported actual expenditures for the year ended June 30, 2024.

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.

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.

Seven of 64 state agencies did not set a TSB procurement goal. However, four of the seven agencies did not report any budgeted or actual expenditures for FY 2024. Of the 57 state agencies which established TSB procurement goals, seven did not set FY 2024 TSB procurement goals greater than their FY 2023 actual TSB spending. However, for four of these seven state agencies, FY 2024 actual TSB spending exceeded the FY 2023 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. We selected the 4th quarter of FY 2024 to test whether reports were submitted timely by state agencies; 19 of 64 state agencies did not submit their 4th quarter report timely and an additional four of 64 agencies did not submit their 4th quarter report.

The State Agencies Report summarizes FY 2024 actual TSB spending compared to the respective FY 2024 TSB procurement goals reported to the IEDA.

27 of the 60 state agencies, which submitted their 4th quarter reports, did not meet their FY 2024 TSB procurement goals. The overall total FY 2024 actual TSB spending reported was less than the total FY 2024 TSB procurement goals by approximately \$2,190,000. As noted above, four state agencies did not submit the 4th quarter report, so any additional annual spending, if any, is unknown.

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

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.

Seven bids tested did not meet the 48-hour notification requirement before being posted to the DAS internet site.

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, 2024.

State Agencies Report
Year ended June 30, 2024

No.	State Agency	Agency #	FY 2023 Actual Targeted Small Business Spending Reported	FY 2024 Targeted Small Business Procurement Goal	FY 2024 Actual Targeted Small Business Spending Reported	FY 2024 Actual Spending Over (Under) Goal	FY 2024 Actual As a % of Goal
1	Administrative Services	005	\$ 347,203.13 *	\$ 306,000.00	\$ 448,378.26	\$ 142,378.26	147%
2	Agriculture and Land Stewardship	009	233,043.92	233,045.00	185,460.15	(47,584.85)	80%
3	Attorney General	112 & 114	142,551.59	157,127.53	40,306.55	(116,820.98)	26%
4	Auditor of State	126	-	1,450.00	101,995.00	100,545.00	7034%
5	Blind	131	91,748.90	100,000.00	88,648.18	(11,351.82)	89%
6	Ethics and Campaign Disclosure	140	825.00	826.00	1,266.00	440.00	153%
7	Civil Rights	167	261.00 ***	-	-	-	- ***
8	Chief Information Officer	185	152,406.47	155,000.00	213,374.53	58,374.53	138%
9	Commerce - Alcoholic Beverages	212	221,886.38 *	75,000.00	142,334.67	67,334.67	190%
10	Commerce - Banking, Licensing	213 & 217	570.00	1,000.00	400.00	(600.00)	40%
11	Commerce - Credit Union	214	2,180.00	2,185.00	1,685.81	(499.19)	77%
12	Commerce - Insurance	216	159,086.91	160,000.00	199,061.96	39,061.96	124%
13	Commerce - Utilities	219	276,162.85	284,448.00	444,545.70	160,097.70	156%
14	Corrections - Central Office	238	7,380.00	7,400.00	8,860.10	1,460.10	120%
15	Corrections - Fort Madison	242	255,359.77	260,000.00	255,378.71	(4,621.29)	98%
16	Corrections - Anamosa	243	45,300.49	46,000.00	75,446.38	29,446.38	164%
17	Corrections - Oakdale Medical and Classification Center	244	10,109.09	11,000.00	81,612.49	70,612.49	742%
18	Corrections - Newton	245	55,786.12	110,000.00	100,386.34	(9,613.66)	91%
19	Corrections - Mt. Pleasant	246	18,816.34	20,000.00	14,498.00	(5,502.00)	72%
20	Corrections - Rockwell City	247	5,689.90	5,800.00	7,119.00	1,319.00	123%
21	Corrections - Clarinda	248	37,644.50	50,000.00	39,538.55	(10,461.45)	79%
22	Corrections - Mitchellville	249	12,738.18	34,518.00	10,452.78	(24,065.22)	30%
23	Corrections - Prison Industries	250	38,507.37	42,000.00	44,215.63	2,215.63	105%
24	Corrections - Fort Dodge	252	39,319.45	40,000.00	101,622.13	61,622.13	254%
25	Cultural Affairs	259 & 265	39,645.00 ***	-	-	-	- ***
26	Iowa Economic Development Authority	269, 275 & 301	168,917.23	169,000.00	264,172.58	95,172.58	156%
27	Iowa Finance Authority	270	22,830.00	22,900.00	69,769.00	46,869.00	305%
28	Education	282	59,641.52	100,000.00	65,876.22	(34,123.78)	66%
29	Vocational Rehabilitation	283	117,003.71	118,000.00	49,241.07	(68,758.93)	42%
30	College Aid Commission	284	25,288.00 ***	-	-	-	- ***
31	Iowa Public Television	280 & 285	105,601.68	105,603.00	58,851.47	(46,751.53)	56% **
32	Aging	297	143,505.89	144,000.00	15,700.00	(128,300.00)	11%
33	Workforce Development	309	152,245.37	155,000.00	680,794.71	525,794.71	439%
34	General Services Capitals	335	251,892.28	306,000.00	219,287.98	(86,712.02)	72%
35	ICN	336	24,482.00	85,000.00	93,453.34	8,453.34	110%
36	Governor	350	-	500.00	-	(500.00)	0%
37	Human Rights	379	25,794.00	25,900.00	18,910.00	(6,990.00)	73%
38	Human Services	401, 402 & 413	352,231.75	353,000.00	113,022.64	(239,977.36)	32%
39	Human Services - Eldora	405	68,764.34 *	68,750.00	18,696.68	(50,053.32)	27%
40	Human Services - Cherokee MHI & CCUSO	407 & 406	19,286.49 *	5,000.00	31,681.03	26,681.03	634%

State Agencies Report
Year ended June 30, 2024

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41	Human Services - Independence MHI	409	45,054.49 *	45,000.00	50,926.20	5,926.20	113%
42	Human Services - Glenwood Resource Center	411	116,684.24 *	50,000.00	275,302.30	225,302.30	551% **
43	Human Services - Woodward Resource Center	412	311,698.61	312,000.00	388,062.34	76,062.34	124%
44	Inspections and Appeals	427	4,537.88	-	11,719.13	11,719.13	NG
45	Public Defender	428	239,816.73	-	-	-	NG
46	Racing and Gaming	429	-	-	-	-	NG
47	Judicial	444	488,075.33	488,450.00	313,311.72	(175,138.28)	64% **
48	Law Enforcement Academy	467	12,473.03	-	967.84	967.84	NG
49	Citizens' Aide/Ombudsman	503	-	-	-	-	NG
50	Legislative Services Agency	504	19,048.62	56,406.00	10,981.61	(45,424.39)	19%
51	Management	532	8,010.75	8,100.00	24,286.25	16,186.25	300%
52	Natural Resources	542 & 543	341,916.71	350,000.00	410,673.12	60,673.12	117%
53	Parole Board	547	-	1,000.00	-	(1,000.00)	0%
54	IPERS	553	340,610.94	-	457,546.29	457,546.29	NG
55	Public Employment Relations Board	572	9,095.35	15,000.00	9,416.25	(5,583.75)	63%
56	Public Defense	582 & 584	2,477,805.34	2,500,000.00	2,687,488.01	187,488.01	107%
57	Homeland Security and Emergency Management	583	8,726.28	9,589.00	8,740.00	(849.00)	91% **
58	Public Health	588	754,557.26	755,000.00	71,702.66	(683,297.34)	9%
59	Public Information Board	592	-	-	-	-	NG
60	Public Safety	595	211,660.42	216,000.00	181,268.97	(34,731.03)	84%
61	Revenue	625	7,698.14	8,000.00	30,235.12	22,235.12	378%
62	Lottery	627	-	100,000.00	127,322.91	27,322.91	127%
63	Secretary of State	635	175,071.25	260,000.00	135,541.43	(124,458.57)	52%
64	Office of Drug Control Policy	642	-	***	-	-	- ***
65	Transportation, Capitals	645 & 646	44,081,613.75 *	38,000,000.00	36,311,807.46	(1,688,192.54)	96%
66	Treasurer of State	655	12,654.00	12,700.00	37,403.62	24,703.62	295%
67	Veterans Home	671 & 672	119,596.06	125,000.00	79,925.99	(45,074.01)	64%
68	Board of Regents	BOR	8,745,254.00	8,745,354.00	7,698,608.00	(1,046,746.00)	88%
Total			\$ 62,263,365.80	\$ 55,819,051.53	\$ 53,629,280.86	\$ (2,189,770.67)	

* - FY 2024 TSB procurement goal is less than or equal to FY 2023 actual TSB spending.

** - State agency did not submit the 4th quarter report, actual spending reported does not include the 4th quarter.

*** - Combined with another agency, no goal or spending to report for FY 2024.

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, 1/3 Report ID: FR194.