



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

December 30, 2008

To the Governor and Members of the
General Assembly:

As required by section 11.46 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, 2008. 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 to the Legislature on Targeted Small Business Procurement Goals

Introduction

Section 11.46 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 agency or department of state government (agency) having purchasing authority, in cooperation with the TSB Marketing and Compliance Manager of the Department of Economic Development (DED), 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 requires, of the total value of anticipated procurements of goods and services subject to the above goals, an additional goal to procure at least forty percent from minority-owned businesses and forty percent from female-owned businesses. These additional goals were not established for the year ended June 30, 2008 (FY 2008).

Thirteen of seventy-two state agencies did not set FY 2008 TSB procurement goals greater than their FY 2007 actual TSB spending. However, four of these thirteen state agencies' FY 2008 actual TSB spending exceeded their FY 2007 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 Marketing and Compliance Manager on a quarterly basis within 15 business days following the end of the calendar quarter.

Table I, State Agencies Report, Table II, Community Colleges Report, and Table III, Area Education Agencies Report, summarize FY 2008 actual TSB spending compared to the respective FY 2008 TSB procurement goals as reported to DED. Some state agencies, community colleges and area education agencies did not submit all required quarterly reports for FY 2008.

Twenty-seven of the seventy-two state agencies did not meet their FY 2008 TSB procurement goals. Six of thirteen community colleges did not meet their FY 2008 TSB procurement goals. Two community colleges did not report their FY 2008 actual TSB spending and one community college did not have an established FY 2008 TSB procurement goal. Six of eight area education agencies did not meet their FY 2008 TSB procurement goals and two area education agencies did not report their FY 2008 actual TSB spending.

Although twenty-seven state agencies did not meet their FY 2008 TSB procurement goals, as shown in Table I, total FY 2008 actual TSB spending exceeded total FY 2008 TSB procurement goals by approximately \$5,935,000. Similarly, while six of thirteen community colleges did not meet their FY 2008 TSB procurement goals, as shown in Table II, total FY 2008 actual TSB spending exceeded the total FY 2008 TSB procurement goals by approximately \$119,000.

DED should continue to work with these state agencies, community colleges and area education agencies to establish procurement goals in compliance with the Code of Iowa and ensure all required quarterly reports are submitted to DED.

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 targeted small business (TSB) web page forty-eight hours prior to the issuance of bid notices to all vendors. DED has established the TSB website on which agencies post requests for bids. Prior to July 2008, any person or company wanting to bid on a project had immediate access to the forty-eight hour notification. Beginning July 2008, the TSB website is available only to certified targeted small businesses through a user-id and password. Bid notices are to be posted on the Iowa Department of Administrative Services (DAS) website or the agencies' own website at least 48 hours later.

Certain bids were posted to the TSB website two days prior to posting to the DAS website, but not a full 48 hours prior to posting to the DAS or the agencies' websites as required by the Code of Iowa. In addition, although one state agency and one university posted bids to the TSB website two days prior to posting to their websites, we were unable to determine if the forty-eight hour notification requirement had been met because the notices were not time-stamped.

State agencies and universities should review their procedures and maintain documentation to ensure compliance with the forty-eight hour notice required by the Code of Iowa.

Table 1

State Agencies Report
Year ended June 30, 2008

No.	Agency	Agency #	FY 2007 Actual Targeted Small Business Spending	FY 2008 Targeted Small Business Procurement Goal	FY 2008 Actual Targeted Small Business Spending	FY 2008 Actual Over (Under) Goal	FY 2008 Actual As a % of Goal
1	Administrative Services	005	\$ 171,259.97	\$ 175,000.00	\$ 88,695.52	\$ (86,304.48)	51%
2	Agriculture/Land Stewardship	009	158,321.07	175,000.00	160,655.50	(14,344.50)	92%
3	Attorney General	112 & 114	69,047.60	* 40,000.00	46,456.51	6,456.51	116%
4	Auditor	126	861.60	10,000.00	9,661.30	(338.70)	97%
5	Blind	131	5,516.04	6,000.00	47,102.00	41,102.00	785%
6	Ethics/Campaign Disclosure	140	87.95	500.00	710.65	210.65	142%
7	Civil Rights	167	1,232.04	1,500.00	2,372.30	872.30	158%
8	Commerce - Alcoholic Beverages	212	5,140.99	26,000.00	34,579.96	8,579.96	133%
9	Commerce - Banking	213	10,988.00	* 4,000.00	1,555.00	(2,445.00)	39%
10	Commerce - Credit Union	214	596.70	1,000.00	1,264.83	264.83	126%
11	Commerce - Insurance	216	21,532.80	25,000.00	16,798.13	(8,201.87)	67%
12	Commerce - Licensing	217	4,176.07	11,000.00	1,830.45	(9,169.55)	17%
13	Commerce - Utilities	219	205,826.73	210,000.00	233,300.05	23,300.05	111%
14	Corrections-Central Office	238	-	2,500.00	17,634.21	15,134.21	705%
15	Fort Madison	242	7,698.94	50,000.00	51,551.16	1,551.16	103%
16	Anamosa	243	15,342.50	* 12,000.00	43,407.68	31,407.68	362%
17	Oakdale - Medical & Classification Center	244	95,364.58	* 50,000.00	69,454.16	19,454.16	139%
18	Newton	245	22,769.35	25,000.00	16,846.30	(8,153.70)	67%
19	Mt. Pleasant	246	-	1,000.00	3,462.19	2,462.19	346%
20	Rockwell City	247	5,955.26	10,000.00	15,183.53	5,183.53	152%
21	Clarinda	248	-	2,500.00	1,890.14	(609.86)	76%
22	Mitchellville	249	-	5,000.00	5,626.20	626.20	113%
23	Anamosa - Prison Industries	250	70,904.38	74,449.60	72,895.94	(1,553.66)	98%
24	Fort Dodge	252	3,565.93	4,000.00	5,978.14	1,978.14	149%
25	Cultural Affairs	259 & 265	5,560.72	10,000.00	2,283.40	(7,716.60)	23%
26	Economic Development	269	61,646.00	205,321.03	322,618.74	117,297.71	157%
27	Iowa Finance Authority	270	-	37,500.00	9,907.51	(27,592.49)	26%
28	Education	282	155,501.93	156,000.00	158,058.23	2,058.23	101%
29	Voc Rehab.	283	66,132.39	70,000.00	17,339.99	(52,660.01)	25%
30	College Aid	284	17,848.20	18,000.00	4,979.99	(13,020.01)	28%
31	Iowa Public Television	285	128,513.01	* 80,000.00	212,354.43	132,354.43	265%
32	Elder Affairs	297	56,987.72	* 50,000.00	91,599.98	41,599.98	183%
33	Workforce Development	309	151,760.14	152,000.00	142,020.03	(9,979.97)	93%
34	General Services Capitals	335	275,865.40	280,000.00	1,501,239.84	1,221,239.84	536%
35	ICN	336	95,190.39	* 48,000.00	35,451.65	(12,548.35)	74%
36	Governor	350	3,407.90	3,500.00	8,929.12	5,429.12	255%
37	Human Rights	379	20,962.09	21,000.00	35,453.34	14,453.34	169%
38	Human Services Administration	401	29,511.57	29,512.00	50,628.55	21,116.55	172%

Table 1

State Agencies Report
Year ended June 30, 2008

No.	Agency	Agency #	FY 2007 Actual Targeted Small Business Spending	FY 2008 Targeted Small Business Procurement Goal	FY 2008 Actual Targeted Small Business Spending	FY 2008 Actual Over (Under) Goal	FY 2008 Actual As a % of Goal
39	Human Services Community Services	402	62,336.08	62,337.00	356,402.66	294,065.66	572%
40	Toledo	404	-	1,000.00	11,468.00	10,468.00	1147%
41	Eldora	405	11,669.19	20,000.00	34,047.77	14,047.77	170%
42	Cherokee MHI	407	8,345.26	* 4,000.00	4,162.35	162.35	104%
43	Clarinda MHI	408	-	2,500.00	5,149.91	2,649.91	206%
44	Independence MHI	409	514.95	10,000.00	9,666.68	(333.32)	97%
45	Mt. Pleasant MHI	410	-	1,000.00	219.35	(780.65)	22%
46	Glenwood HS	411	-	10,000.00	91,347.52	81,347.52	913%
47	Woodward HS	412	45,161.71	47,000.00	48,659.79	1,659.79	104%
48	Human Services Assistance Payments	413	962,378.35	962,379.00	1,093,126.08	130,747.08	114%
49	Inspections & Appeals	427	8,276.18	11,000.00	13,697.84	2,697.84	125%
50	Public Defender	428	136,903.75	140,000.00	261,567.34	121,567.34	187%
51	Racing & Gaming	429	36,266.50	38,000.00	30,770.15	(7,229.85)	81%
52	Judicial	444	7,947.50	10,000.00	11,294.00	1,294.00	113%
53	Law Enforcement Academy	467	12,299.90	13,000.00	16,787.73	3,787.73	129%
54	Leg. Citizen's Aide	503	255.80	1,000.00	165.20	(834.80)	17%
55	Legislative Service Agency	504	17,225.49	20,000.00	25,898.45	5,898.45	129%
56	Management	532	3,414.18	3,500.00	6,915.18	3,415.18	198%
57	Natural Resources	542 & 543	-	250,000.00	519,899.00	269,899.00	208%
58	Parole Board	547	-	200.00	478.00	278.00	239%
59	IPERS	553	36,459.41	40,000.00	105,046.54	65,046.54	263%
60	PERB	572	-	1,000.00	1,104.85	104.85	110%
61	Public Defense	582 & 584	6,592.05	75,000.00	74,992.09	(7.91)	100%
62	Homeland Sec/ Emergency Mgmt	583	50,563.15	* 15,000.00	10,173.23	(4,826.77)	68%
63	Public Health	588	229,088.69	235,960.00	340,694.79	104,734.79	144%
64	Public Safety	595	-	75,000.00	64,329.84	(10,670.16)	86%
65	Revenue	625	80,902.64	* 55,000.00	53,057.98	(1,942.02)	96%
66	Secretary of State	635	13,924.19	* 5,000.00	20,089.44	15,089.44	402%
67	Office of Drug Control Policy	642	56,928.97	* 20,000.00	10,173.95	(9,826.05)	51%
68	Transportation, Capitals	645 & 646	23,858,441.44	* 10,000,000.00	12,227,081.89	2,227,081.89	122%
69	State Treasurer	655	27,706.06	28,000.00	7,663.56	(20,336.44)	27%
70	Veterans Home	671	106,046.73	110,000.00	83,813.21	(26,186.79)	76%
71	Veterans Affairs	672	-	1,000.00	-	(1,000.00)	0%
72	Board of Regents		-	6,300,000.00	7,503,464.00	1,203,464.00	119%
	Total		\$ 27,724,724.13	\$ 20,650,158.63	\$ 26,585,185.02	\$ 5,935,026.39	

* - FY 2008 TSB procurement goal is less than FY 2007 actual TSB spending.

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

Community Colleges Report
Year ended June 30, 2008

No.	Area Community College	FY 2007 Actual Targeted Small Business Spending	FY 2008 Targeted Small Business Procurement Goal	FY 2008 Actual Targeted Small Business Spending	FY 2008 Actual Over (Under) Goal	FY 2008 Actual As a % of Goal
1	Northeast Iowa Community College	\$ 1,790.00	\$ 10,000.00	\$ 5,305.96	\$ (4,694.04)	53%
2	North Iowa Area Community College	-	10,000.00	14,893.00	4,893.00	149%
3	Iowa Lakes Community College	33,197.00	45,000.00	53,358.00	8,358.00	119%
4	Northwest Iowa Community College	22,387.00	25,000.00	22,547.00	(2,453.00)	90%
5	Iowa Central Community College - Fort Dodge	809.81	1,000.00	139.60	(860.40)	14%
6	Iowa Valley Community College	-	1,000.00	41,068.00	40,068.00	4107%
7	Hawkeye Community College	21,254.00	25,000.00	25,403.00	403.00	102%
8	Eastern Iowa Community College	-	10,000.00	60,178.56	50,178.56	602%
9	Kirkwood Community College	-	DNR	DNR	DNR	
10	Des Moines Area Community College	21,348.10	50,000.00	86,182.96	36,182.96	172%
11	Western Iowa Tech Community College	-	5,000.00	DNR	DNR	
12	Iowa Western Community College	-	500.00	-	(500.00)	0%
13	Southwestern Community College	33,021.38	30,000.00	19,390.56	(10,609.44)	65%
14	Indian Hills Community College	7,335.90	13,000.00	25,157.63	12,157.63	194%
15	Southeastern Community College	9,296.00	10,000.00	1,034.00	(8,966.00)	10%
	Total	\$ 150,439.19	\$ 235,500.00	\$ 354,658.27	\$ 124,158.27	

DNR - Did not report.

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

Table 3

Area Education Agencies Report
Year ended June 30, 2008

No.	Area Education Agencies	FY 2007 Actual Targeted Small Business Spending	FY 2008 Targeted Small Business Procurement Goal	FY 2008 Actual Targeted Small Business Spending	FY 2008 Actual Over (Under) Goal	FY 2008 Actual As a % of Goal
1	Keystone AEA #1	\$ -	\$ 1,000.00	\$ -	\$ (1,000.00)	0%
2	Northwest AEA	-	1,000.00	106.24	(893.76)	11%
3	Prairie Lakes AEA #8	-	500.00	828.12	328.12	166%
4	AEA 267	18,717.00	20,000.00	21.00	(19,979.00)	0%
5	Mississippi Bend AEA #9	-	1,000.00	381.17	(618.83)	38%
6	Grant Wood AEA #10	1,008.31	1,500.00	1,657.83	157.83	111%
7	Heartland AEA #11-Johnston	50,951.06	30,000.00	8,934.44	(21,065.56)	30%
8	Loess Hills AEA #13	-	5,000.00	-	(5,000.00)	0%
9	Green Valley AEA #14	-	5,000.00	DNR	DNR	
10	Great River AEA #16 and Southern Prairie AEA #15	-	1,000.00	DNR	DNR	
	Total	\$ 70,676.37	\$ 66,000.00	\$ 11,928.80	\$ (48,071.20)	

DNR - Did not report.

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