

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

JUNE 30, 2023



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

December 18, 2023

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, 2023. 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 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.

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.

One of 68 state agencies did not set a TSB procurement goal. However, the agency did not have any budgeted or actual expenditures for 2023. Of the 67 state agencies which established TSB procurement goals, eight did not set FY 2023 TSB procurement goals greater than their FY 2022 actual TSB spending. However, for one of these eight state agencies, FY 2023 actual TSB spending exceeded the FY 2022 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 2023 to test whether reports were submitted timely by state agencies; 15 of 68 state agencies did not submit their 4th quarter report timely and an additional eight of 68 agencies did not submit their 4th quarter report.

The State Agencies Report summarizes FY 2023 actual TSB spending compared to the respective FY 2023 TSB procurement goals reported to the IEDA.

Although 39 of the 60 state agencies, which submitted their 4th quarter reports, did not meet their FY 2023 TSB procurement goals, for these 60 state agencies total FY 2023 actual TSB spending exceeded the total FY 2023 TSB procurement goals by approximately \$12,194,000. As noted above, eight 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.

Three 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, 2023.

State Agencies Report
Year ended June 30, 2023

No.	State Agency	Agency #	FY 2022 Actual Targeted Small Business Spending Reported	FY 2023 Targeted Small Business Procurement Goal	FY 2023 Actual Targeted Small Business Spending Reported	FY 2023 Actual Spending Over (Under) Goal	FY 2023 Actual As a % of Goal
1	Administrative Services	005	\$ 246,510.80	\$ 260,000.00	\$ 347,203.13	\$ 87,203.13	134%
2	Agriculture and Land Stewardship	009	153,999.16	154,100.00	233,043.92	78,943.92	151%
3	Attorney General	112 & 114	92,054.06	96,899.01	142,551.59	45,652.58	147%
4	Auditor of State	126	1,445.00 *	1,445.00	-	(1,445.00)	0%
5	Blind	131	43,718.75	56,000.00	91,748.90	35,748.90	164% **
6	Ethics and Campaign Disclosure	140	282.00	283.00	825.00	542.00	292%
7	Civil Rights	167	6,939.25	14,000.00	261.00	(13,739.00)	2%
8	Chief Information Officer	185	157,999.80	160,000.00	152,406.47	(7,593.53)	95%
9	Commerce - Alcoholic Beverages	212	74,047.06	75,000.00	221,886.38	146,886.38	296% **
10	Commerce - Banking, Licensing	213 & 217	-	60,000.00	570.00	(59,430.00)	1%
11	Commerce - Credit Union	214	-	500.00	2,180.00	1,680.00	436%
12	Commerce - Insurance	216	48,360.35	55,000.00	159,086.91	104,086.91	289%
13	Commerce - Utilities	219	298,031.58	301,012.00	276,162.85	(24,849.15)	92%
14	Corrections - Central Office	238	-	1,000.00	7,380.00	6,380.00	738%
15	Corrections - Fort Madison	242	237,239.62	237,240.00	255,359.77	18,119.77	108%
16	Corrections - Anamosa	243	53,386.93	54,000.00	45,300.49	(8,699.51)	84%
17	Corrections - Oakdale Medical and Classification Center	244	42,433.75	43,000.00	10,109.09	(32,890.91)	24%
18	Corrections - Newton	245	78,822.77	110,000.00	55,786.12	(54,213.88)	51%
19	Corrections - Mt. Pleasant	246	6,788.40	12,000.00	18,816.34	6,816.34	157%
20	Corrections - Rockwell City	247	5,823.30	6,000.00	5,689.90	(310.10)	95%
21	Corrections - Clarinda	248	96,266.78	180,000.00	37,644.50	(142,355.50)	21%
22	Corrections - Mitchellville	249	115,907.53 *	9,000.00	12,738.18	3,738.18	142% **
23	Corrections - Prison Industries	250	39,636.40	42,000.00	38,507.37	(3,492.63)	92%
24	Corrections - Fort Dodge	252	71,306.62	84,000.00	39,319.45	(44,680.55)	47%
25	Cultural Affairs	259 & 265	31,643.68	32,000.00	39,645.00	7,645.00	124%
26	Iowa Economic Development Authority	269, 275 & 301	143,706.43	144,000.00	168,917.23	24,917.23	117%
27	Iowa Finance Authority	270	3,795.14	3,800.00	22,830.00	19,030.00	601%
28	Education	282	73,244.15	100,000.00	59,641.52	(40,358.48)	60%
29	Vocational Rehabilitation	283	123,677.89	125,000.00	117,003.71	(7,996.29)	94%
30	College Aid Commission	284	15,122.25	45,000.00	25,288.00	(19,712.00)	56% **
31	Iowa Public Television	280 & 285	222,655.22	222,657.00	105,601.68	(117,055.32)	47%
32	Aging	297	3,429.93	10,000.00	143,505.89	133,505.89	1435%
33	Workforce Development	309	201,746.01	202,000.00	152,245.37	(49,754.63)	75%
34	General Services Capitals	335	304,772.92 *	270,000.00	251,892.28	(18,107.72)	93%
35	ICN	336	80,644.76	85,000.00	24,482.00	(60,518.00)	29%
36	Governor	350	8,705.70	8,750.00	-	(8,750.00)	0%
37	Human Rights	379	-	25,001.00	25,794.00	793.00	103%
38	Human Services	401, 402 & 413	519,081.28	525,000.00	352,231.75	(172,768.25)	67%
39	Human Services - Eldora	405	28,996.21	29,200.00	68,764.34	39,564.34	235%
40	Human Services - Cherokee MHI & CCUSO	407 & 406	25,285.42 *	3,500.00	19,286.49	15,786.49	551%

State Agencies Report
Year ended June 30, 2023

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41	Human Services - Independence MHI	409	6,444.15	20,500.00	45,054.49	24,554.49	220%
42	Human Services - Glenwood Resource Center	411	139,457.71 *	120,000.00	116,684.24	(3,315.76)	97%
43	Human Services - Woodward Resource Center	412	544,713.41	545,000.00	311,698.61	(233,301.39)	57%
44	Inspections and Appeals	427	126,642.24	127,000.00	4,537.88	(122,462.12)	4%**
45	Public Defender	428	185,734.57	235,682.00	239,816.73	4,134.73	102%**
46	Racing and Gaming	429	-	16,708.00	-	(16,708.00)	0%**
47	Judicial	444	477,725.89	500,000.00	488,075.33	(11,924.67)	98%
48	Law Enforcement Academy	467	23,569.73	265,000.00	12,473.03	(252,526.97)	5%
49	Citizens' Aide/Ombudsman	503	-	NG	-	-	NG
50	Legislative Services Agency	504	28,722.49	56,405.00	19,048.62	(37,356.38)	34%
51	Management	532	18,135.73	18,500.00	8,010.75	(10,489.25)	43%
52	Natural Resources	542 & 543	486,746.62	490,000.00	341,916.71	(148,083.29)	70%
53	Parole Board	547	-	1,000.00	-	(1,000.00)	0%
54	IPERS	553	216,138.08	217,000.00	340,610.94	123,610.94	157%
55	Public Employment Relations Board	572	18,508.30	25,225.00	9,095.35	(16,129.65)	36%
56	Public Defense	582 & 584	423,987.41	425,000.00	2,477,805.34	2,052,805.34	583%
57	Homeland Security and Emergency Management	583	20,475.00	26,446.22	8,726.28	(17,719.94)	33%
58	Public Health	588	1,318,478.50 *	1,256,000.00	754,557.26	(501,442.74)	60%
59	Public Information Board	592	-	20.00	-	(20.00)	0%**
60	Public Safety	595	195,501.97	237,000.00	211,660.42	(25,339.58)	89%
61	Revenue	625	1,595.59	2,000.00	7,698.14	5,698.14	385%
62	Secretary of State	635	227,243.60	260,000.00	175,071.25	(84,928.75)	67%
63	Office of Drug Control Policy	642	648.00 *	648.00	-	(648.00)	0%
64	Transportation, Capitals	645 & 646	36,175,436.91	36,200,000.00	44,081,613.75	7,881,613.75	122%
65	Treasurer of State	655	5,931.26	5,933.00	12,654.00	6,721.00	213%
66	Veterans Affairs	670	10,978.59	11,000.00	-	(11,000.00)	0%
67	Veterans Home	671 & 672	96,775.17	97,000.00	119,596.06	22,596.06	123%
68	Board of Regents		5,067,078.00 *	5,067,078.00	8,745,254.00	3,678,176.00	173%
	Total		\$ 49,474,175.82	\$ 50,069,532.23	\$ 62,263,365.80	\$ 12,193,833.57	

* - FY 2023 TSB procurement goal is less than or equal to FY 2022 actual TSB spending.

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

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.