



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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December 20, 2019

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, 2019. The report includes the results of our review.

A handwritten signature in black ink, appearing to read "Rob Sand", is positioned above the printed name.

Rob Sand
Auditor of State

Report on Targeted Small Business Procurement Goals

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, 2019 (FY 2019).

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 2019. Of the 69 state agencies which established TSB procurement goals, 13 did not set FY 2019 TSB procurement goals greater than their FY 2018 actual TSB spending. However, for 7 of these 13 state agencies, FY 2019 actual TSB spending exceeded the FY 2018 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 2019 actual TSB spending compared to the respective FY 2019 TSB procurement goals reported to the IEDA. 1 of 71 state agencies did not submit any required quarterly reports. The auditor was unable to determine with any certainty the quarterly reports for the remaining 70 state agencies were submitted timely due to staff turnover at Iowa Economic Development Authority.

Although 34 of the 69 state agencies did not meet their FY 2019 TSB procurement goals, total FY 2019 actual TSB spending exceeded total FY 2019 TSB procurement goals by approximately \$7,447,000.

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, 2019.

State Agencies Report

Year ended June 30, 2019

	State Agency	Agency #	FY 2018 Actual Targeted Small Business Spending Reported	FY 2019 Targeted Small Business Procurement Goal	FY 2019 Actual Targeted Small Business Spending Reported	FY 2019 Actual Spending Over (Under) Goal	FY 2019 Actual As a % of Goal
1	Administrative Services	005	\$ 157,376.15	\$ 160,000.00	\$152,673.19	\$ (7,326.81)	95%
2	Agriculture and Land Stewardship	009	61,006.81	61,010.00	92,911.57	31,901.57	152%
3	Attorney General	114	68,566.10	68,600.00	44,843.08	(23,756.92)	65%
4	Auditor of State	126	56,616.76 *	56,616.76	11,390.00	(45,226.76)	20%
5	Blind	131	28,847.00	30,000.00	1,480.00	(28,520.00)	5%
6	Ethics and Campaign Disclosure	140	135.50	285.00	-	(285.00)	0%
7	Civil Rights	167	5,460.00	14,000.00	5,841.16	(8,158.84)	42%
8	Chief Information Officer	185	186,799.09 *	150,000.00	221,952.51	71,952.51	148%
9	Commerce - Alcoholic Beverages	212	3,222.11	5,000.00	9,501.85	4,501.85	190%
10	Commerce - Banking, Licensing	213 & 217	1,134.48	90,000.00	288.00	(89,712.00)	0%
11	Commerce - Credit Union	214	621.00	622.00	725.00	103.00	117%
12	Commerce - Insurance	216	6,766.89	7,500.00	11,160.21	3,660.21	149%
13	Commerce - Utilities	219	236,642.09	236,942.09	355,578.94	118,636.85	150%
14	Corrections - Central Office	238	600.00	1,000.00	3,461.12	2,461.12	346%
15	Corrections - Fort Madison	242	145,692.20 *	99,175.00	84,967.95	(14,207.05)	86%
16	Corrections - Anamosa	243	37,966.35	38,000.00	41,202.47	3,202.47	108%
17	Corrections - Oakdale Medical and Classification Center	244	49,302.07	52,000.00	80,898.86	28,898.86	156%
18	Corrections - Newton	245	84,509.04	105,000.00	105,270.78	270.78	100%
19	Corrections - Mt. Pleasant	246	58,908.06	59,000.00	85,454.65	26,454.65	145%
20	Corrections - Rockwell City	247	7,374.81	12,000.00	2,972.00	(9,028.00)	25%
21	Corrections - Clarinda	248	74,417.91 *	20,000.00	171,750.86	151,750.86	859%
22	Corrections - Mitchellville	249	7,834.65 *	6,700.00	9,695.70	2,995.70	145%
23	Corrections - Prison Industries	250	52,757.86 *	38,200.00	72,212.54	34,012.54	189%
24	Corrections - Fort Dodge	252	38,505.82	47,000.00	46,925.00	(75.00)	100%
25	Cultural Affairs	265	38,231.09	39,000.00	55,467.88	16,467.88	142%
26	Iowa Economic Development Authority	269, 275 & 301	104,884.66 *	38,600.00	22,509.04	(16,090.96)	58%
27	Iowa Finance Authority	270	45,037.75	75,000.00	17,764.25	(57,235.75)	24%
28	Education	282	82,159.31	85,000.00	122,827.37	37,827.37	145%
29	Vocational Rehabilitation	283	30,656.16	30,670.00	34,868.82	4,198.82	114%
30	College Aid Commission	284	10,433.11	45,000.00	10,668.26	(34,331.74)	24%
31	Iowa Public Television	285	51,201.20	51,203.00	178,806.63	127,603.63	349%
32	Aging	297	3,376.45	3,400.00	7,644.70	4,244.70	225%
33	Workforce Development	309	103,128.49 *	95,800.00	131,595.60	35,795.60	137%
34	General Services Capitals	335	24,460.40 *	20,000.00	495,612.52	475,612.52	2478%
35	ICN	336	171,433.90	175,000.00	116,341.54	(58,658.46)	66%
36	Governor	350	5,879.52	5,880.00	612.52	(5,267.48)	10%
37	Human Rights	379	27,878.26 *	24,750.00	20,589.60	(4,160.40)	83%
38	Human Services - Administration	401	9,982.06	10,000.00	1,831.34	(8,168.66)	18%
39	Human Services - Community Services	402	58,701.40	60,000.00	96,706.45	36,706.45	161%
40	Human Services - Eldora	405	41,959.29 *	21,016.00	21,804.49	788.49	104%

State Agencies Report

Year ended June 30, 2019

	State Agency	Agency #	FY 2018 Actual Targeted Small Business Spending Reported	FY 2019 Targeted Small Business Procurement Goal	FY 2019 Actual Targeted Small Business Spending Reported	FY 2019 Actual Spending Over (Under) Goal	FY 2019 Actual As a % of Goal
41	Human Services - Cherokee MHI	407	1,256.00	2,700.00	6,326.28	3,626.28	234%
42	Human Services - Independence MHI	409	30,416.97	* 20,000.00	17,786.86	(2,213.14)	89%
43	Human Services - Glenwood Resource Center	411	109,095.78	119,460.00	43,350.38	(76,109.62)	36%
44	Human Services - Woodward Resource Center	412	467,790.51	468,791.51	418,518.56	(50,272.95)	89%
45	Human Services - Assistance Payments	413	582,591.61	585,000.00	334,177.20	(250,822.80)	57%
46	Inspections and Appeals	427	81,251.37	93,000.00	23,608.68	(69,391.32)	25%
47	Public Defender	428	201,883.15	205,000.00	178,795.68	(26,204.32)	87%
48	Racing and Gaming	429	-	11,500.00	-	(11,500.00)	0%
49	Judicial	444	224,615.40	225,000.00	257,447.62	32,447.62	114%
50	Law Enforcement Academy	467	16,193.28	17,000.00	14,871.51	(2,128.49)	87%
51	Citizens' Aide/Ombudsman	503	11,953.70	13,050.00	5,191.60	(7,858.40)	40%
52	Legislative Services Agency	504	8,148.12	56,401.00	14,336.20	(42,064.80)	25%
53	Management	532	3,788.25	3,790.00	776.20	(3,013.80)	20%
54	Natural Resources	543	790,731.24	800,000.00	618,363.30	(181,636.70)	77%
55	Parole Board	547	-	2,600.00	8,213.50	5,613.50	316%
56	IPERS	553	207,408.55	208,000.00	201,266.40	(6,733.60)	97%
57	Public Employment Relations Board	572	956.70	7,060.00	15,319.18	8,259.18	217%
58	Public Defense	584	109,367.91	110,000.00	1,052,138.00	942,138.00	956%
59	Homeland Security and Emergency Management	583	10,203.32	11,223.65	23,366.80	12,143.15	208%
60	Public Health	588	671,401.13	700,000.00	831,728.74	131,728.74	119%
61	Public Information Board	592	-	20.00	64.50	44.50	323%
62	Public Safety	595	106,333.86	106,500.00	110,533.89	4,033.89	104%
63	Revenue	625	660,683.50	670,000.00	420,514.20	(249,485.80)	63%
64	Secretary of State	635	19,565.16	100,010.00	41,503.34	(58,506.66)	41%
65	Office of Drug Control Policy	642	-	NG	-	-	
66	Transportation, Capitals	646	31,286,715.58	* 20,500,000.00	28,174,079.61	7,674,079.61	137%
67	Treasurer of State	655	11,660.75	11,662.00	1,725.75	(9,936.25)	15%
68	Veterans Affairs	670	2,023.50	4,000.00	775.00	(3,225.00)	19%
69	Veterans Home	671	70,693.12	72,000.00	76,390.59	4,390.59	106%
70	Veterans Home, Capitals	672	-	NG	-	-	NR
71	Board of Regents		9,821,934.00	9,822,034.00	8,691,413.00	(1,130,621.00)	88%
	Total		\$ 47,689,128.26	\$ 37,084,772.01	\$ 44,531,391.02	\$7,446,619.01	

* - FY 2019 TSB procurement goal is less than or equal to FY 2018 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.