



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA
Auditor of State



December 16, 2009

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, 2009. The report includes the results of our review.

David A. Vaudt

DAVID A. VAUDT, CPA
Auditor of State

Warren G. Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Report 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, 2009 (FY 2009).

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 set goal is not always documented in writing. For two of seven state agencies, the TSB procurement goal reported on the TSB quarterly report submitted by the state agencies did not agree with the TSB goal per DED.

Seven of seventy-one state agencies did not set a TSB procurement goal. Thirty-four of the sixty-four state agencies which established TSB procurement goals did not set FY 2009 TSB procurement goals greater than their FY 2008 actual TSB spending. However, for sixteen of these thirty-four state agencies, FY 2009 actual TSB spending exceeded the FY 2008 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 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 2009 actual TSB spending compared to the respective FY 2009 TSB procurement goals as reported to DED. Eleven state agencies did not submit all required quarterly reports or submit reports on a timely basis for FY 2009. One state agency did not submit any required quarterly reports.

Although twenty-four of the seventy-one state agencies did not meet their FY 2009 TSB procurement goals, total FY 2009 actual TSB spending exceeded total FY 2009 TSB procurement goals by approximately \$23,052,000.

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

State agencies utilize the TSB Purchases of Goods and Services report, Report ID: FR194, from the Iowa Integrated Information System (I/3) data warehouse to determine TSB spending to be reported on the quarterly report. The TSB Purchases of Goods and Services report details TSB spending by vendor and identifies the vendor as TSB Women, TSB Minority or TSB Disabled. Vendors identified as a TSB with multiple TSB designations may be included in the TSB Purchases of Goods and Services report under each designation. For example, Monroe Mirror, Inc. is designated as TSB Disabled and TSB Women. As a result, purchases from Monroe Mirror, Inc. are reported twice in the TSB Purchases of Goods and Services report as both TSB Disabled and TSB Women. Three of the six state agency TSB Purchases of Goods and Services reports reviewed included duplicate expenses. Two of the agencies had already corrected the quarterly reports to eliminate duplicate expenses.

Certain expenses were identified as reported on both the first and second quarterly report for one state agency. Although the TSB Purchases of Goods and Services report includes the vendor name and document number, the document date is not included. Including the document date on the TSB Purchases of Goods and Services report would enhance the state agencies' ability to ensure the accuracy of the quarterly report.

Although duplicate payments and payments reported on two quarterly reports were identified, it does not appear these payments had a significant impact on TSB spending reported.

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.

One university does not document the date and time requests for bids are posted to its website. Therefore, we were unable to determine if the forty-eight hour notification requirement had been met.

The University should review its procedures and maintain documentation to ensure compliance with the forty-eight hour notice required by the Code of Iowa.

Recommendations to Departments

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, 2009.

State Agencies Report

Year ended June 30, 2009

| No. | Agency | Agency # | FY 2008 Actual Targeted Small Business Spending Reported | FY 2009 Targeted Small Business Procurement Goal | FY 2009 Actual Targeted Small Business Spending Reported | FY 2009 Actual Over (Under) Goal | FY 2009 Actual As a % of Goal |
|-----|--|-----------|--|--|--|---|--|
| 1 | Administrative Services | 005 | \$ 88,695.52 | \$ 180,000.00 | \$ 144,174.48 | \$ (35,825.52) | 80% |
| 2 | Agriculture/Land Stewardship | 009 | 160,655.50 | * 135,000.00 | 132,393.92 | (2,606.08) | 98% |
| 3 | Attorney General | 112 & 114 | 46,456.51 | * 45,000.00 | 40,402.19 | (4,597.81) | 90% |
| 4 | Auditor | 126 | 9,661.30 | * 2,000.00 | 1,043.50 | (956.50) | 52% |
| 5 | Blind | 131 | 47,102.00 | * 7,000.00 | 19,885.15 | 12,885.15 | 284% |
| 6 | Ethics/Campaign Disclosure | 140 | 710.65 | * 550.00 | 502.80 | (47.20) | 91% |
| 7 | Civil Rights | 167 | 2,372.30 | NG | 3,012.86 | 3,012.86 | 100% |
| 8 | Commerce - Alcoholic Beverages | 212 | 34,579.96 | * 26,000.00 | 6,023.48 | (19,976.52) | 23% |
| 9 | Commerce - Banking, Licensing | 213/217 | 3,385.45 | *** 5,000.00 | 14,556.09 | 9,556.09 | 291% |
| 10 | Commerce - Credit Union | 214 | 1,264.83 | NG | 4,776.07 | 4,776.07 | 100% |
| 11 | Commerce - Insurance | 216 | 16,798.13 | 25,000.00 | 35,299.65 | 10,299.65 | 141% |
| 12 | Commerce - Utilities | 219 | 233,300.05 | * 210,000.00 | 247,223.54 | 37,223.54 | 118% |
| 13 | Corrections-Central Office | 238 | 17,634.21 | NG | 2,464.60 | 2,464.60 | 100% |
| 14 | Fort Madison | 242 | 51,551.16 | 55,000.00 | 2,326.93 | (52,673.07) | 4% |
| 15 | Anamosa | 243 | 43,407.68 | * 12,000.00 | 22,053.45 | 10,053.45 | 184% |
| 16 | Oakdale - Medical & Classification Center | 244 | 69,454.16 | * 65,000.00 | 130,382.17 | 65,382.17 | 201% |
| 17 | Newton | 245 | 16,846.30 | 25,000.00 | 36,006.81 | 11,006.81 | 144% |
| 18 | Mt. Pleasant | 246 | 3,462.19 | * 1,000.00 | 444.40 | (555.60) | 44% |
| 19 | Rockwell City | 247 | 15,183.53 | * 12,500.00 | 11,182.06 | (1,317.94) | 89% |
| 20 | Clarinda | 248 | 1,890.14 | 3,000.00 | 6,885.58 | 3,885.58 | 230% |
| 21 | Mitchellville | 249 | 5,626.20 | 5,700.00 | 8,902.70 | 3,202.70 | 156% |
| 22 | Anamosa - Prison Industries | 250 | 72,895.94 | 100,000.00 | 20,444.40 | (79,555.60) | 20% |
| 23 | Fort Dodge | 252 | 5,978.14 | * 4,900.00 | 6,146.39 | 1,246.39 | 125% |
| 24 | Cultural Affairs | 259 & 265 | 2,283.40 | 3,000.00 | 6,686.40 | 3,686.40 | 223% |
| 25 | Economic Development | 269 | 322,618.74 | 350,000.00 | 262,873.23 | (87,126.77) | 75% |
| 26 | Iowa Finance Authority | 270 | 9,907.51 | 75,000.00 | 101,438.16 | 26,438.16 | 135% |
| 27 | Education | 282 | 158,058.23 | * 158,000.00 | 72,322.52 | (85,677.48) | 46% |
| 28 | Voc Rehab. | 283 | 17,339.99 | 25,000.00 | 9,550.92 | (15,449.08) | 38% |
| 29 | College Aid | 284 | 4,979.99 | 18,000.00 | 27,367.02 | 9,367.02 | 152% |
| 30 | Iowa Public Television | 285 | 212,354.43 | * 80,000.00 | 197,934.77 | 117,934.77 | 247% |
| 31 | Elder Affairs | 297 | 91,599.98 | 92,000.00 | 33,617.07 | (58,382.93) | 37% |
| 32 | Workforce Development | 309 | 142,020.03 | 152,000.00 | 161,641.67 | 9,641.67 | 106% |
| 33 | General Services Capitals | 335 | 1,501,239.84 | * 300,000.00 | 3,672,075.42 | 3,372,075.42 | 1224% |
| 34 | ICN | 336 | 35,451.65 | * 25,000.00 | 19,122.77 | (5,877.23) | 76% |
| 35 | Governor | 350 | 8,929.12 | * 4,500.00 | 2,757.05 | (1,742.95) | 61% |
| 36 | Human Rights | 379 | 35,453.34 | * 23,100.00 | 22,294.36 | (805.64) | 97% |
| 37 | Human Services Administration | 401 | 50,628.55 | * 30,397.00 | 171,677.04 | 141,280.04 | 565% |

State Agencies Report
Year ended June 30, 2009

| No. | Agency | Agency # | FY 2008 Actual Targeted Small Business Spending | FY 2009 Targeted Small Business Procurement Goal | FY 2009 Actual Targeted Small Business Spending | FY 2009 Actual Over (Under) Goal | FY 2009 Actual As a % of Goal |
|-----|------------------------------------|-----------|--|--|--|---|--|
| 38 | Human Services Community Services | 402 | 356,402.66 | * 64,207.00 | 143,206.61 | 78,999.61 | 223% |
| 39 | Toledo | 404 | 11,468.00 | * 1,000.00 | 38,936.50 | 37,936.50 | 3894% |
| 40 | Eldora | 405 | 34,047.77 | * 21,000.00 | 22,388.43 | 1,388.43 | 107% |
| 41 | Cherokee MHI | 407 | 4,162.35 | NG | 2,971.70 | 2,971.70 | 100% |
| 42 | Clarinda MHI | 408 | 5,149.91 | * 3,000.00 | 16,047.25 | 13,047.25 | 535% |
| 43 | Independence MHI | 409 | 9,666.68 | 15,000.00 | 15,471.32 | 471.32 | 103% |
| 44 | Mt. Pleasant MHI | 410 | 219.35 | 1,000.00 | - | (1,000.00) | 0% |
| 45 | Glenwood HS | 411 | 91,347.52 | NG | 12,965.58 | 12,965.58 | 100% |
| 46 | Woodward HS | 412 | 48,659.79 | 49,350.00 | 70,406.49 | 21,056.49 | 143% |
| 47 | Human Services Assistance Payments | 413 | 1,093,126.08 | * 991,250.00 | 1,099,572.15 | 108,322.15 | 111% |
| 48 | Inspections & Appeals | 427 | 13,697.84 | 15,000.00 | 72,653.70 | 57,653.70 | 484% |
| 49 | Public Defender | 428 | 261,567.34 | * 200,000.00 | 271,985.64 | 71,985.64 | 136% |
| 50 | Racing & Gaming | 429 | 30,770.15 | 32,000.00 | 27,411.25 | (4,588.75) | 86% |
| 51 | Judicial | 444 | 11,294.00 | 11,500.00 | 33,960.99 | 22,460.99 | 295% |
| 52 | Law Enforcement Academy | 467 | 16,787.73 | * 16,000.00 | 15,455.94 | (544.06) | 97% |
| 53 | Leg. Citizen's Aide | 503 | 165.20 | 1,750.00 | 10,088.99 | 8,338.99 | 577% |
| 54 | Legislative Service Agency | 504 | 25,898.45 | 28,000.00 | 32,454.82 | 4,454.82 | 116% |
| 55 | Management | 532 | 6,915.18 | * 4,500.00 | 16,578.53 | 12,078.53 | 368% |
| 56 | Natural Resources | 542 & 543 | 519,899.00 | * 250,000.00 | 672,528.14 | 422,528.14 | 269% |
| 57 | Parole Board | 547 | 478.00 | NG | - | - | 0% |
| 58 | IPERS | 553 | 105,046.54 | * 40,000.00 | 109,456.58 | 69,456.58 | 274% |
| 59 | PERB | 572 | 1,104.85 | 1,200.00 | 8,530.10 | 7,330.10 | 711% |
| 60 | Public Defense | 582 & 584 | 74,992.09 | 75,000.00 | 86,144.17 | 11,144.17 | 115% |
| 61 | Homeland Sec/ Emergency Mgmt | 583 | 10,173.23 | 15,000.00 | 30,843.34 | 15,843.34 | 206% |
| 62 | Public Health | 588 | 340,694.79 | * 250,000.00 | 492,702.72 | 242,702.72 | 197% |
| 63 | Public Safety | 595 | 64,329.84 | NG | DNR | - | 0% |
| 64 | Revenue | 625 | 53,057.98 | 53,500.00 | 58,351.22 | 4,851.22 | 109% |
| 65 | Secretary of State | 635 | 20,089.44 | * 5,000.00 | 29,989.95 | 24,989.95 | 600% |
| 66 | Office of Drug Control Policy | 642 | 10,173.95 | * 10,000.00 | 9,466.00 | (534.00) | 95% |
| 67 | Transportation, Capitols | 645 & 646 | 12,227,081.89 | * 10,000,500.00 | 26,142,382.42 | 16,141,882.42 | 261% |
| 68 | State Treasurer | 655 | 7,663.56 | 28,000.00 | 15,401.14 | (12,598.86) | 55% |
| 69 | Veterans Home | 671 | 83,813.21 | 110,000.00 | 96,378.67 | (13,621.33) | 88% |
| 70 | Veterans Affairs | 672 | - | 1,000.00 | 361.00 | (639.00) | 36% |
| 71 | Board of Regents | | 7,503,464.00 | * 6,350,000.00 | 8,638,177.00 | 2,288,177.00 | 136% |
| | Total | | \$ 26,585,185.02 | \$ 20,899,404.00 | \$ 43,951,159.96 | \$ 23,051,755.96 | |

* - FY 2009 TSB procurement goal is less than FY 2008 actual TSB spending.

*** - During FY 2009, Agencies 213 and 217 combined reporting.

NG - Goal not established.

DNR - Did not report.

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