



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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December 20, 2010

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, 2010. 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 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, 2010 (FY 2010).

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 one of nine 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.

Eleven of seventy-one state agencies did not set a TSB procurement goal. Forty-three of the sixty state agencies which established TSB procurement goals did not set FY 2010 TSB procurement goals greater than their FY 2009 actual TSB spending. However, for nineteen of these forty-three state agencies, FY 2010 actual TSB spending exceeded the FY 2009 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 2010 actual TSB spending compared to the respective FY 2010 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 2010. Three state agencies did not submit any required quarterly reports. One state agency reported estimated results instead of actual TSB spending.

Although twenty-four of the seventy-one state agencies did not meet their FY 2010 TSB procurement goals, total FY 2010 actual TSB spending exceeded total FY 2010 TSB procurement goals by approximately \$19,453,000.

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. Four of the nine state agency TSB Purchases of Goods and Services reports reviewed included duplicate expenses. However, one state agency adjusted the amount reported on its quarterly report to eliminate reporting duplicate expenses.

Although duplicate payments were identified, it does not appear these payments had a significant impact on total 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. In addition, two state agencies posted bidding opportunities to the DAS website prior to meeting the forty-eight hour notification requirement.

The University and state agencies should review their 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, 2010.

State Agencies Report
Year ended June 30, 2010

No.	Agency	Agency #	FY 2009 Actual Targeted Small Business Spending Reported	FY 2010 Targeted Small Business Procurement Goal	FY 2010 Actual Targeted Small Business Spending Reported	FY 2010 Actual Over (Under) Goal	FY 2010 Actual As a % of Goal
1	Administrative Services	005	\$ 144,174.48	\$ 180,000.00	\$ 131,266.60	\$ (48,733.40)	73%
2	Agriculture/Land Stewardship	009	132,393.92	135,000.00	122,095.89	\$ (12,904.11)	90%
3	Attorney General	112 & 114	40,402.19	30,000.00	18,479.45	\$ (11,520.55)	62%
4	Auditor	126	1,043.50	1,000.00	2,515.75	\$ 1,515.75	252%
5	Blind	131	19,885.15	19,000.00	6,981.64	\$ (12,018.36)	37%
6	Ethics/Campaign Disclosure	140	502.80	500.00	325.50	\$ (174.50)	65%
7	Civil Rights	167	3,012.86	2,500.00	624.61	\$ (1,875.39)	25%
8	Commerce - Alcoholic Beverages	212	6,023.48	26,000.00	6,625.58	\$ (19,374.42)	25%
9	Commerce - Banking, Licensing	213/217	14,556.09	25,000.00	46,448.67	\$ 21,448.67	186%
10	Commerce - Credit Union	214	4,776.07	3,000.00	11,308.57	\$ 8,308.57	377%
11	Commerce - Insurance	216	35,299.65	NG	26,461.72	\$ 26,461.72	100%
12	Commerce - Utilities	219	247,223.54	NG	272,474.79	\$ 272,474.79	100%
13	Corrections-Central Office	238	2,464.60	2,000.00	3,469.35	\$ 1,469.35	173%
14	Fort Madison	242	2,326.93	50,000.00	2,445.50	\$ (47,554.50)	5%
15	Anamosa	243	22,053.45	20,000.00	41,871.75	\$ 21,871.75	209%
16	Oakdale - Medical & Classification Center	244	130,382.17	100,000.00	112,006.72	\$ 12,006.72	112%
17	Newton	245	36,006.81	15,000.00	16,861.08	\$ 1,861.08	112%
18	Mt. Pleasant	246	444.40	NG	989.15	\$ 989.15	100%
19	Rockwell City	247	11,182.06	12,500.00	1,808.43	\$ (10,691.57)	14%
20	Clarinda	248	6,885.58	6,000.00	6,449.91	\$ 449.91	107%
21	Mitchellville	249	8,902.70	5,020.00	12,451.75	\$ 7,431.75	248%
22	Anamosa - Prison Industries	250	20,444.40	NG	28,502.55	\$ 28,502.55	100%
23	Fort Dodge	252	6,146.39	5,000.00	81,307.63	\$ 76,307.63	1626%
24	Cultural Affairs	259 & 265	6,686.40	3,000.00	4,265.45	\$ 1,265.45	142%
25	Economic Development	269	262,873.23	NG	DNR -	\$ -	0%
26	Iowa Finance Authority	270	101,438.16	75,000.00	124,648.69	\$ 49,648.69	166%
27	Education	282	72,322.52	70,000.00	87,830.23	\$ 17,830.23	125%
28	Voc Rehab.	283	9,550.92	25,000.00	3,326.25	\$ (21,673.75)	13%
29	College Aid	284	27,367.02	25,000.00	46,464.83	\$ 21,464.83	186%
30	Iowa Public Television	285	197,934.77	80,000.00	244,366.72	\$ 164,366.72	305%
31	Elder Affairs	297	33,617.07	50,000.00	16,923.51	\$ (33,076.49)	34%
32	Workforce Development	309	161,641.67	152,000.00	186,395.90	\$ 34,395.90	123%
33	General Services Capitals	335	3,672,075.42	300,000.00	1,955,594.02	\$ 1,655,594.02	652%
34	ICN	336	19,122.77	20,000.00	20,749.75	\$ 749.75	104%
35	Governor	350	2,757.05	5,000.00	10,405.92	\$ 5,405.92	208%
36	Human Rights	379	22,294.36	23,100.00	29,789.37	\$ 6,689.37	129%
37	Human Services Administration	401	171,677.04	525,000.00	378,888.92	\$ (146,111.08)	72%

State Agencies Report
Year ended June 30, 2010

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38	Human Services Community Services	402	143,206.61 *	57,786.00	69,312.36	11,526.36	120%
39	Toledo	404	38,936.50 *	2,000.00	46,396.46	44,396.46	2320%
40	Eldora	405	22,388.43 *	21,000.00	1,756.24	(19,243.76)	8%
41	Cherokee MHI	407	2,971.70	4,840.00	2,692.88	(2,147.12)	56%
42	Clarinda MHI	408	16,047.25 *	6,000.00	7,532.11	1,532.11	126%
43	Independence MHI	409	15,471.32 *	10,000.00	7,209.01	(2,790.99)	72%
44	Mt. Pleasant MHI	410	-	NG	5,352.01	5,352.01	100%
45	Glenwood HS	411	12,965.58	50,000.00	68,086.45	18,086.45	136%
46	Woodward HS	412	70,406.49	NG	DNR -	-	0%
47	Human Services Assistance Payments	413	1,099,572.15 *	892,125.00	737,608.70	(154,516.30)	83%
48	Inspections & Appeals	427	72,653.70 *	40,000.00	120,826.77	80,826.77	302%
49	Public Defender	428	271,985.64 *	225,000.00	240,202.06	15,202.06	107%
50	Racing & Gaming	429	27,411.25 *	25,000.00	5,468.50	(19,531.50)	22%
51	Judicial	444	33,960.99 *	10,000.00	109,915.25	99,915.25	1099%
52	Law Enforcement Academy	467	15,455.94	16,000.00	7,813.97	(8,186.03)	49%
53	Leg. Citizen's Aide	503	10,088.99 *	2,000.00	2,700.78	700.78	135%
54	Legislative Service Agency	504	32,454.82 *	28,000.00	33,073.20	5,073.20	118%
55	Management	532	16,578.53 *	2,500.00	1,807.33	(692.67)	72%
56	Natural Resources	542 & 543	672,528.14 *	350,000.00	868,395.24	518,395.24	248%
57	Parole Board	547	-	NG	-	-	0%
58	IPERS	553	109,456.58 *	70,000.00	127,191.16	57,191.16	182%
59	PERB	572	8,530.10 *	1,200.00	808.75	(391.25)	67%
60	Public Defense	582 & 584	86,144.17 *	86,000.00	56,496.71	(29,503.29)	66%
61	Homeland Sec/ Emergency Mgmt	583	30,843.34 *	30,000.00	27,357.55	(2,642.45)	91%
62	Public Health	588	492,702.72 *	275,000.00	391,576.09	116,576.09	142%
63	Public Safety	595	-	NG	DNR -	-	0%
64	Revenue	625	58,351.22 *	53,500.00	60,793.04	7,293.04	114%
65	Secretary of State	635	29,989.95	NG	70,572.55	70,572.55	100%
66	Office of Drug Control Policy	642	9,466.00 *	5,290.00	9,513.00	4,223.00	180%
67	Transportation, Capitals	645 & 646	26,142,382.42 *	12,000,000.00	20,595,191.01	8,595,191.01	172%
68	State Treasurer	655	15,401.14	17,000.00	14,605.07	(2,394.93)	86%
69	Veterans Home	671	96,378.67	110,000.00	114,804.82	4,804.82	104%
70	Veterans Affairs	672	361.00 *	360.00	199.76	(160.24)	55%
71	Board of Regents		8,638,177.00	NG	EST 7,965,457.00	7,965,457.00	100%
	Total		\$ 43,951,159.96	\$ 16,381,221.00	\$ 35,834,137.98	\$ 19,452,916.98	

* - FY 2010 TSB procurement goal is less than FY 2009 actual TSB spending.

NG - Goal not established.

DNR - Did not report .

EST - Estimated spending was reported rather than actual spending.

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