



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0004

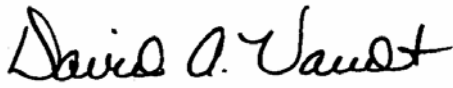
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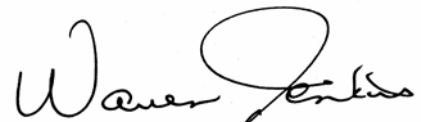
David A. Vaudt, CPA
Auditor of State

November 21, 2011

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, 2011. The report includes the results of our review.


DAVID A. VAUDT, CPA
Auditor of State


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, 2011 (FY 2011).

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 documented on the Quarterly Reports that are sent to the TSB Marketing and Compliance Manager.

Ten of seventy-one state agencies did not set a TSB procurement goal. Thirty-five of the sixty-one state agencies which established TSB procurement goals did not set FY 2011 TSB procurement goals greater than their FY 2010 actual TSB spending. However, for eleven of these thirty-five state agencies, FY 2011 actual TSB spending exceeded the FY 2010 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 2011 actual TSB spending compared to the respective FY 2011 TSB procurement goals as reported to DED. Two state agencies did not submit all required quarterly reports. In addition, three state agencies did not submit any required quarterly reports.

Although twenty-six of the seventy-one state agencies did not meet their FY 2011 TSB procurement goals, total FY 2011 actual TSB spending exceeded total FY 2010 TSB procurement goals by approximately \$15,118,000.

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 Integrated Information for Iowa (I/3) System 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. Five of the eleven state agency TSB Purchases of Goods and Services reports reviewed included duplicate expenses. However, four of the eleven state agencies reviewed adjusted the amounts reported on its quarterly reports to eliminate all or a portion of duplicate expenses reported. In addition, with concurrence of various state agencies, various other duplications have been corrected in this report.

For two of the eleven state agency TSB Purchase of Goods and Service reports reviewed, the FR194 Report included a total of \$210,905 of expenses with a vendor which had been removed from the TSB listing in fiscal year 2005. Two of the eleven TSB Purchase of Goods and Services reports properly included vendors who are certified TSB vendors but were not included on the FR194 report.

Although duplicate payments and other items 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.

Section 262.34A(2) of the Code of Iowa includes language which exempts the Board of Regents from the forty-eight hour notification requirement.

Other bid notices tested were posted to the TSB website forty-eight hours prior to notification to all vendors.

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, 2011.

State Agencies Report
Year ended June 30, 2011

No.	Agency	Agency #	FY 2010 Actual Targeted Small Business Spending Reported	FY 2011 Targeted Small Business Procurement Goal	FY 2011 Actual Targeted Small Business Spending Reported	FY 2011 Actual Over (Under) Goal	FY 2011 Actual As a % of Goal
1	Administrative Services	005	\$ 131,266.60	* \$ 110,000.00	\$ 136,940.08	\$ 26,940.08	124%
2	Agriculture/Land Stewardship	009	122,095.89	125,000.00	213,470.91	88,470.91	171%
3	Attorney General	112 & 114	18,479.45	30,010.00	39,783.81	9,773.81	133%
4	Auditor	126	2,515.75	5,000.00	4,327.50	(672.50)	87%
5	Blind	131	6,981.64	* 5,000.00	26,775.42	21,775.42	536%
6	Ethics/Campaign Disclosure	140	325.50	510.00	825.15	315.15	162%
7	Civil Rights	167	624.61	NG -	2,309.00	2,309.00	100%
8	Commerce - Alcoholic Beverages	212	6,625.58	26,000.00	21,166.12	(4,833.88)	81%
9	Commerce - Banking, Licensing	213/217	46,448.67	* 30,000.00	21,214.12	(8,785.88)	71%
10	Commerce - Credit Union	214	11,308.57	NG -	2,726.30	2,726.30	100%
11	Commerce - Insurance	216	26,461.72	NG -	24,641.87	24,641.87	100%
12	Commerce - Utilities	219	272,474.79	NG -	267,690.56	267,690.56	100%
13	Corrections-Central Office	238	3,469.35	* 1,000.00	814.75	(185.25)	81%
14	Fort Madison	242	2,445.50	50,010.00	2,326.22	(47,683.78)	5%
15	Anamosa	243	41,871.75	* 20,000.00	16,091.38	(3,908.62)	80%
16	Oakdale - Medical & Classification Center	244	112,006.72	* 90,000.00	84,136.46	(5,863.54)	93%
17	Newton	245	16,861.08	* 10,000.00	17,164.60	7,164.60	172%
18	Mt. Pleasant	246	989.15	3,785.00	1,908.92	(1,876.08)	50%
19	Rockwell City	247	1,808.43	12,600.00	1,182.70	(11,417.30)	9%
20	Clarinda	248	6,449.91	* 4,000.00	2,227.87	(1,772.13)	56%
21	Mitchellville	249	12,451.75	NG -	5,639.15	5,639.15	100%
22	Anamosa - Prison Industries	250	28,502.55	NG -	18,611.39	18,611.39	100%
23	Fort Dodge	252	81,307.63	* 40,000.00	41,963.18	1,963.18	105%
24	Cultural Affairs	259 & 265	4,265.45	4,300.00	15,712.92	11,412.92	365%
25	Economic Development	269	-	185,000.00	182,775.00	(2,225.00)	99%
26	Iowa Finance Authority	270	124,648.69	* 75,000.00	160,172.95	85,172.95	214%
27	Education	282	87,830.23	* 75,000.00	97,178.30	22,178.30	130%
28	Voc Rehab.	283	3,326.25	25,000.00	4,321.00	(20,679.00)	17%
29	College Aid	284	46,464.83	* 25,500.00	39,271.75	13,771.75	154%
30	Iowa Public Television	285	244,366.72	* 80,100.00	189,589.73	109,489.73	237%
31	Elder Affairs	297	16,923.51	50,000.00	9,907.08	(40,092.92)	20%
32	Workforce Development	309	186,395.90	* 155,000.00	160,015.61	5,015.61	103%
33	General Services Capitals	335	1,955,594.02	* 300,000.00	375,903.13	75,903.13	125%
34	ICN	336	20,749.75	23,000.00	38,846.51	15,846.51	169%
35	Governor	350	10,405.92	* 5,025.00	6,768.45	1,743.45	135%
36	Human Rights	379	29,789.37	* 23,200.00	25,373.37	2,173.37	109%
37	Human Services Administration	401	378,888.92	* 340,999.00	218,997.18	(122,001.82)	64%

State Agencies Report
Year ended June 30, 2011

No.	Agency	Agency #	FY 2010 Actual Targeted Small Business Spending Reported	FY 2011 Targeted Small Business Procurement Goal	FY 2011 Actual Targeted Small Business Spending Reported	FY 2011 Actual Over (Under) Goal	FY 2011 Actual As a % of Goal	
38	Human Services Community Services	402	69,312.36	*	52,007.00	134,564.62	82,557.62	259%
39	Toledo	404	46,396.46	*	1,000.00	20,714.87	19,714.87	2071%
40	Eldora	405	1,756.24		21,000.00	4,817.90	(16,182.10)	23%
41	Cherokee MHI	407	2,692.88		4,850.00	9,179.81	4,329.81	189%
42	Clarinda MHI	408	7,532.11		10,000.00	10,169.00	169.00	102%
43	Independence MHI	409	7,209.01		10,010.00	11,499.08	1,489.08	115%
44	Mt. Pleasant MHI	410	5,352.01	NG	-	DNR	-	100%
45	Glenwood Resource Center	411	68,086.45	*	50,000.00	5,676.04	(44,323.96)	11%
46	Woodward Resource Center	412	-	NG	-	226,072.96	226,072.96	100%
47	Human Services Assistance Payments	413	737,608.70	*	737,600.00	429,816.15	(307,783.85)	58%
48	Inspections & Appeals	427	120,826.77	*	60,000.00	82,436.22	22,436.22	137%
49	Public Defender	428	240,202.06	*	225,000.00	178,597.75	(46,402.25)	79%
50	Racing & Gaming	429	5,468.50	*	5,000.00	10,861.28	5,861.28	217%
51	Judicial	444	109,915.25	*	10,000.00	366,376.02	356,376.02	3664%
52	Law Enforcement Academy	467	7,813.97		8,000.00	10,943.52	2,943.52	137%
53	Leg. Citizen's Aide	503	2,700.78	*	2,005.00	2,302.20	297.20	115%
54	Legislative Service Agency	504	33,073.20	*	28,300.00	21,691.60	(6,608.40)	77%
55	Management	532	1,807.33		5,025.00	5,129.79	104.79	102%
56	Natural Resources	542 & 543	868,395.24	*	500,000.00	841,520.76	341,520.76	168%
57	Parole Board	547	-	NG	-	DNR	-	0%
58	IPERS	553	127,191.16	*	75,000.00	92,671.36	17,671.36	124%
59	PERB	572	808.75		1,250.00	368.75	(881.25)	30%
60	Public Defense	582 & 584	56,496.71		60,000.00	53,412.12	(6,587.88)	89%
61	Homeland Sec/ Emergency Mgmt	583	27,357.55		30,000.00	22,591.00	(7,409.00)	75%
62	Public Health	588	391,576.09	*	302,500.00	258,231.07	(44,268.93)	85%
63	Public Safety	595	-	NG	-	DNR	-	0%
64	Revenue	625	60,793.04	*	55,000.00	126,325.87	71,325.87	230%
65	Secretary of State	635	70,572.55		75,000.00	10,414.70	(64,585.30)	14%
66	Office of Drug Control Policy	642	9,513.00		10,000.00	19,190.00	9,190.00	192%
67	Transportation, Capitals	645 & 646	20,595,191.01	*	13,000,000.00	24,490,599.48	11,490,599.48	188%
68	State Treasurer	655	14,605.07	*	10,500.00	10,549.25	49.25	100%
69	Veterans Home	671	114,804.82		115,000.00	87,968.51	(27,031.49)	76%
70	Veterans Affairs	672	199.76		360.00	120.00	(240.00)	33%
71	Board of Regents		7,965,457.00	*	6,400,100.00	8,889,340.00	2,489,240.00	139%
	Total		\$ 35,834,137.98		\$ 23,794,546.00	\$ 38,912,922.12	\$ 15,118,376.12	

* - FY 2011 TSB procurement goal is less than FY 2010 actual TSB spending.

NG - Goal not established.

DNR - Did not report.

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