



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

December 14, 2015

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, 2015. The report includes the results of our review.

*Mary Mosiman*  
MARY MOSIMAN, CPA  
Auditor of State

*Warren Jenkins*  
WARREN G. JENKINS, CPA  
Chief Deputy 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 and 40% from female-owned businesses. This additional goal was not established for the year ended June 30, 2015 (FY 2015).

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 73 state agencies did not set a TSB procurement goal. Of the 71 state agencies which established TSB procurement goals, 38 did not set FY 2015 TSB procurement goals greater than their FY 2014 actual TSB spending. However, for 14 of these 38 state agencies, FY 2015 actual TSB spending exceeded the FY 2014 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 2015 actual TSB spending compared to the respective FY 2015 TSB procurement goals reported to the IEDA. One state agency did not submit all required quarterly reports and various other agencies did not submit all required quarterly reports on a timely basis. In addition, 12 state agencies did not submit any required quarterly reports. However, IEDA obtained the TSB spending information for amounts reported from the TSB Purchase of Goods and Services report, Report ID: FR194, from the Integrated Information for Iowa (I/3) System.

Although 29 of the 71 state agencies did not meet their FY 2015 TSB procurement goals, total FY 2015 actual TSB spending exceeded total FY 2015 TSB procurement goals by approximately \$31,415,000.

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, 2015.

**State Agencies Report**  
**Year ended June 30, 2015**

No.	State Agency	Agency #	FY 2014 Actual Targeted Small Business Spending Reported	FY 2015 Targeted Small Business Procurement Goal	FY 2015 Actual Targeted Small Business Spending Reported	FY 2015 Actual Spending Over (Under) Goal	FY 2015 Actual As a % of Goal
1	Administrative Services	005	\$ 585,917.13	* \$ 125,000.00	\$ 265,460.05	\$ 140,460.05	212%
2	Agriculture and Land Stewardship	009	98,178.28	100,000.00	104,470.16	4,470.16	104%
3	Attorney General	112 & 114	60,037.50	* 30,050.00	86,411.44	56,361.44	288%
4	Auditor of State	126	17,393.16	17,400.00	62,001.56	44,601.56	356%
5	Blind	131	34,873.26	* 20,000.00	33,698.04	13,698.04	168%
6	Ethics and Campaign Disclosure	140	1,203.00	* 520.00	1,035.72	515.72	199%
7	Civil Rights	167	10,026.84	22,211.42	22,211.42	-	100%
8	Chief Information Officer	185	-	255,162.30	181,418.54	(73,743.76)	71%
9	Commerce - Alcoholic Beverages	212	258,442.82	* 250,000.00	150,751.35	(99,248.65)	60%
10	Commerce - Banking, Licensing	213 & 217	81,654.07	* 26,001.00	150,460.48	124,459.48	579%
11	Commerce - Credit Union	214	-	500.00	1,192.05	692.05	238%
12	Commerce - Insurance	216	339,494.27	* 21,000.00	367,359.89	346,359.89	1749%
13	Commerce - Utilities	219	179,454.83	200,000.00	258,880.02	58,880.02	129%
14	Corrections - Central Office	238	437.64	2,003.00	267.50	(1,735.50)	13%
15	Corrections - Fort Madison	242	25,320.69	50,015.00	99,157.78	49,142.78	198%
16	Corrections - Anamosa	243	9,688.61	27,010.00	5,357.25	(21,652.75)	20%
17	Corrections - Oakdale Medical and Classification Center	244	36,041.36	* 35,000.00	13,702.02	(21,297.98)	39%
18	Corrections - Newton	245	15,237.50	* 10,200.00	27,699.61	17,499.61	272%
19	Corrections - Mt. Pleasant	246	15,556.61	* 5,000.00	26,661.81	21,661.81	533%
20	Corrections - Rockwell City	247	12,258.84	12,620.00	9,109.65	(3,510.35)	72%
21	Corrections - Clarinda	248	2,429.50	10,000.00	2,289.07	(7,710.93)	23%
22	Corrections - Mitchellville	249	39,086.57	* 5,000.00	4,090.00	(910.00)	82%
23	Corrections - Prison Industries	250	22,414.61	30,000.00	30,671.85	671.85	102%
24	Corrections - Fort Dodge	252	29,981.65	45,000.00	18,029.45	(26,970.55)	40%
25	Cultural Affairs	259 & 265	38,614.00	* 25,000.00	36,731.10	11,731.10	147%
26	Iowa Economic Development Authority	269, 275 & 301	42,754.02	50,000.00	63,062.09	13,062.09	126%
27	Iowa Finance Authority	270	166,224.35	* 75,000.00	127,713.07	52,713.07	170%
28	Education	282	146,811.55	148,000.00	211,804.23	63,804.23	143%
29	Vocational Rehabilitation	283	111,059.79	125,000.00	155,274.60	30,274.60	124%
30	College Aid Commission	284	20,084.99	45,000.00	48,826.37	3,826.37	109%
31	Iowa Public Television	285	114,073.55	* 81,000.00	86,143.36	5,143.36	106%
32	Aging	297	16,338.63	* 10,120.00	15,773.62	5,653.62	156%
33	Workforce Development	309	173,830.63	* 155,030.00	330,568.18	175,538.18	213%
34	General Services Capitals	335	337,714.37	* 25,000.00	-	(25,000.00)	0%
35	ICN	336	76,716.34	* 60,000.00	172,852.08	112,852.08	288%
36	Governor	350	3,797.81	5,045.00	-	(5,045.00)	0%
37	Human Rights	379	19,216.65	23,300.00	19,125.15	(4,174.85)	82%
38	Human Services - Administration	401	29,062.19	* 26,510.00	38,452.56	11,942.56	145%
39	Human Services - Community Services	402	833,288.67	* 296,000.00	285,556.69	(10,443.31)	96%
40	Human Services - Toledo	404	55,969.77	* 18,000.00	41,994.10	23,994.10	233%
41	Human Services - Eldora	405	7,524.62	21,000.00	4,881.65	(16,118.35)	23%

## State Agencies Report

### Year ended June 30, 2015

No.	State Agency	Agency #	FY 2014 Actual Targeted Small Business Spending Reported	FY 2015 Targeted Small Business Procurement Goal	FY 2015 Actual Targeted Small Business Spending Reported	FY 2015 Actual Spending Over (Under) Goal	FY 2015 Actual As a % of Goal
42	Human Services - Cherokee MHI	407	2,245.00	4,850.00	1,694.88	(3,155.12)	35%
43	Human Services - Clarinda MHI	408	971.92	7,500.00	977.93	(6,522.07)	13%
44	Human Services - Independence MHI	409	3,283.34	5,000.00	7,967.08	2,967.08	159%
45	Human Services - Mt. Pleasant MHI	410	7,669.33	* 5,400.00	6,905.07	1,505.07	128%
46	Human Services - Glenwood Resource Center	411	35,346.89	* 25,000.00	14,641.88	(10,358.12)	59%
47	Human Services - Woodward Resource Center	412	110,225.00	* 100,020.00	123,688.73	23,668.73	124%
48	Human Services - Assistance Payments	413	376,343.50	* 372,010.00	383,891.63	11,881.63	103%
49	Inspections and Appeals	427	103,470.30	125,000.00	117,064.97	(7,935.03)	94%
50	Public Defender	428	271,375.71	* 225,000.00	211,635.09	(13,364.91)	94%
51	Racing and Gaming	429	3,506.80	5,000.00	1,496.00	(3,504.00)	30%
52	Judicial	444	359,783.59	* 200,000.00	417,945.58	217,945.58	209%
53	Law Enforcement Academy	467	36,824.34	* 35,000.00	18,850.64	(16,149.36)	54%
54	Citizens' Aide/Ombudsman	503	1,882.55	2,000.00	80.50	(1,919.50)	4%
55	Legislative Services Agency	504	17,751.32	* 7,500.00	12,424.44	4,924.44	166%
56	Management	532	359.00	5,045.00	4,056.85	(988.15)	80%
57	Natural Resources	542 & 543	564,363.90	575,000.00	1,084,034.79	509,034.79	189%
58	Parole Board	547	3,028.29	* 500.00	912.05	412.05	182%
59	IPERS	553	181,568.05	* 85,000.00	113,228.86	28,228.86	133%
60	Public Employment Relations Board	572	2,991.05	* 1,000.00	2,515.10	1,515.10	252%
61	Public Defense	582 & 584	129,939.37	150,000.00	117,690.08	(32,309.92)	78%
62	Homeland Security and Emergency Management	583	2,383.91	5,000.00	34,751.34	29,751.34	695%
63	Public Health	588	705,497.16	* 500,000.00	939,783.07	439,783.07	188%
64	Public Safety	595	202,210.45	* 80,000.00	177,219.14	97,219.14	222%
65	Revenue	625	116,946.45	* 56,000.00	154,359.16	98,359.16	276%
66	Secretary of State	635	28,336.01	45,000.00	45,553.03	553.03	101%
67	Office of Drug Control Policy	642	2,932.00	NG -	100.70	NG	NG
68	Transportation, Capitals	645 & 646	21,113,560.66	* 16,003,000.00	34,451,628.41	18,448,628.41	215%
69	Treasurer of State	655	5,489.38	11,000.00	1,980.50	(9,019.50)	18%
70	Veterans Affairs	670	342.50	400.00	-	(400.00)	0%
71	Veterans Home	671	181,884.60	* 120,000.00	75,649.00	(44,351.00)	63%
72	Veterans Home, Capitals	672	126,697.00	* 15,000.00	8,984.77	(6,015.23)	60%
73	Board of Regents		10,425,465.00	NG -	10,581,711.00	NG	NG
	<b>Total</b>		<b>\$ 39,192,885.04</b>	<b>\$ 21,259,922.72</b>	<b>\$ 52,674,567.83</b>	<b>\$ 20,832,833.41</b>	

\* - FY 2015 TSB procurement goal is less than FY 2014 actual TSB spending.

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.