



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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HOUSE OF REPRESENTATIVES

February 29, 2008

To the Governor and Members of the  
General Assembly:

As required by House File 890, 2007 General Assembly, we hereby submit this report on our review of targeted small business procurement activities for the period July 1, 2007 through September 30, 2007. The report includes the results of our review.

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Auditor of State

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Chief Deputy Auditor of State

# **Report to the Legislature on House File 890, 2007 General Assembly, An Act Relating to Assistance for Small Businesses**

## **Introduction**

House File (HF) 890, 2007 General Assembly, an act relating to assistance for small businesses, requires the Auditor of State to annually conduct a review of whether state agencies are meeting their goal for procurement activities and the forty-eight hour notice provision pursuant to sections 73.15 through 73.21 of the Code of Iowa. The first report shall be for the period from July 1, 2007 through September 30, 2007.

## **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 Goals**

Prior to the amendment of section 73.16 of the Code of Iowa by HF 890, state agencies were required to establish procurement goals for certified targeted small businesses of at least ten percent of the value of anticipated procurements of goods and services, including construction but excluding utility services, (covered spending) for each fiscal year. HF 890 amended the Code of Iowa and now 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 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.

Although HF 890 became effective upon enactment, the Marketing and Compliance Manager was not hired by DED until September 2007. As a result, TSB procurement goals jointly determined by Agency Directors and the Marketing and Compliance Manager had not been established at September 30, 2007. The Marketing and Compliance Manager is in the process of contacting agencies to establish individual targeted small business procurement goals for their respective agencies. Because these goals are still in the process of being established for the period July 1, 2007 through June 30, 2008, we are unable to compare TSB spending to the goals required by House File 890.

## **Reporting 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 Marketing and Compliance Manager on a quarterly basis within 15 business days following the end of the calendar quarter.

Table I, State Agencies Quarterly Report, Table II, Community Colleges Quarterly Report, and Table III, Area Education Agencies Quarterly Report, summarize total covered spending and targeted small business spending for the period July 1, 2007 through September 30, 2007, as reported to DED. As shown in the Tables, some agencies did not submit quarterly reports for the period July 1, 2007 through September 30, 2007.

## **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 web page forty-eight hours prior to the issuance of all bid notices. DED has a Certified Targeted Small Business web site in place for agencies to post requests for bids. However, the web site is not a secure site with access limited to certified targeted small businesses. As a result, any person or company wanting to bid on a project currently has access to the forty-eight hour notification, thereby negating the 48 hour advance notification advantage the web site is intended to provide targeted small businesses. DED is currently in the process of revising the web site to limit access to certified targeted small businesses only.

## **Other Observations**

### **Small Business Advocate Services:**

House File 890 amended section 15.108 of the Code of Iowa to require DED to establish targeted small business advocate service providers for the purpose of providing mentoring, outreach and professional development services to certified targeted small businesses and appropriated \$900,000 for the establishment of these service providers. DED has entered into contracts with four service providers to serve fifty-four counties. Per conversations with DED personnel, viable proposals were not received to provide coverage for the remaining forty-five counties. The remaining counties will be served by Small Business Development Centers located at the various community colleges.

### **Small Business Financial Assistance Board**

House File 890 amended section 15.247 of the Code of Iowa to establish a seven member targeted small business financial assistance board consisting of at least one member of the following populations: 1) Latino, 2) Black, 3) Asian or Pacific Islander, 4) Caucasian woman, 5) Native American and 6) a person with a disability. Applications for financial assistance from the targeted small business financial assistance program account are to be approved by this board. HF 890 appropriated \$2,500,000 to the targeted small business financial assistance program account for fiscal year 2008. As of August 2007, DED had established the Targeted Small Business Loan Review Board which included the required populations.

Table 1

**State Agencies Quarterly Report**  
**July 1, 2007 – September 30, 2007**

Agency	Agency #	Total Covered Spending	Targeted Small Business Spending	Targeted Small Business Percentage
Administrative Services	005	\$ 144,364.00	17,275.70	11.97%
Agriculture/Land Stewardship	009	349,421.57	20,285.10	5.81%
Attorney General	112 and 114	80,607.69	9,036.29	11.21%
Auditor	126	140,495.43	9,282.80	6.61%
Blind	131	285,357.33	100.00	0.04%
Ethics/Campaign Disclosure	140	157.00	-	0.00%
Civil Rights	167	DNR	DNR	
Commerce - Alcoholic Beverages	212	DNR	DNR	
Commerce - Banking	213	468.50	153.00	32.66%
Commerce - Credit Union	214	30,921.04	43.95	0.14%
Commerce - Insurance	216	65,164.99	2,199.71	3.38%
Commerce - Licensing	217	14,771.10	226.60	1.53%
Commerce - Utilities	219	118,819.55	59,977.08	50.48%
Corrections-Central Office	238	418,107.17	777.01	0.19%
Fort Madison	242	596,801.09	24,570.06	4.12%
Anamosa	243	315,268.78	2,828.81	0.90%
Oakdale - Medical & Classification Center	244	808,586.60	23,292.58	2.88%
Newton	245	143,031.67	6,553.99	4.58%
Mt. Pleasant	246	DNR	DNR	0.00%
Rockwell City	247	150,218.60	6,851.64	4.56%
Clarinda	248	141,735.41	575.57	0.41%
Mitchellville	249	467,775.92	308.00	0.07%
Anamosa - Prison Industries	250	DNR	DNR	
Fort Dodge	252	DNR	DNR	
Cultural Affairs	259 and 265	718,770.86	361.85	0.05%
Economic Development	269	DNR	DNR	
Iowa Finance Authority	270	DNR	DNR	
Voc. Rehab	282	5,217,859.61	30,245.73	0.58%
Education	283	543,747.19	548.85	0.10%
Iowa Public Television	284	444,371.52	2,463.19	0.55%
College Aid	285	767,173.86	-	0.00%
Elder Affairs	297	59,276.70	32,554.21	54.92%
Workforce Development	309	366,023.23	73,829.41	20.17%
General Services Capitals	335	5,463,951.08	599,495.48	10.97%
ICN	336	13,862.99	11,178.70	80.64%
Governor	350	49,248.13	2,003.75	4.07%
Human Rights	379	35,282.95	9,074.97	25.72%
Human Services Administration	401	104,168.86	3,455.60	3.32%

**State Agencies Quarterly Report**  
**July 1, 2007 – September 30, 2007**

Agency	Agency #	Total Covered Spending	Targeted Small Business Spending	Targeted Small Business Percentage
Human Services Community Services	402	250,726.47	48,489.44	19.34%
Toledo	404	DNR	DNR	
Eldora	405	228,490.70	1,383.00	0.61%
Cherokee MHI	407	DNR	DNR	
Clarinda MHI	408	67,705.52	794.76	1.17%
Independence MHI	409	DNR	DNR	
Mt. Pleasant MHI	410	DNR	DNR	
Glenwood HS	411	3,073,997.68	11,932.68	0.39%
Woodward HS	412	669,256.19	12,143.64	1.81%
Human Services Assistance Payments	413	2,192,217.56	417,888.88	19.06%
Inspections & Appeals	427	20,277.99	3,343.64	16.49%
Public Defender	428	190,691.67	54,570.33	28.62%
Racing & Gaming	429	23,374.39	834.00	3.57%
Judicial	444	1,996,305.22	1,483.94	0.07%
Law Enforcement Academy	467	70,247.55	-	0.00%
Leg. Citizen's Aide	503	29,438.86	-	0.00%
Legislative Service Agency	504	15,579.48	7,519.02	48.26%
Management	532	DNR	DNR	
Natural Resources	542 and 543	DNR	DNR	
Parole Board	547	24,681.10	448.00	1.82%
IPERS	553	991,859.01	26,020.10	2.62%
PERB	572	19,150.45	-	0.00%
Public Defense	582 and 584	DNR	DNR	
Homeland Sec/ Emergency Mgmt	583	DNR	DNR	
Public Health	588	523,528.00	87,418.00	16.70%
Public Safety	595	DNR	DNR	
Revenue	625	294,057.17	16,602.15	5.65%
Secretary of State	635	DNR	DNR	
Office of Drug Control Policy	642	7,464.07	612.00	8.20%
Transportation, Capitals	645 and 646	104,043,882.31	2,166,252.87	2.08%
State Treasurer	655	38,787.28	6,177.31	15.93%
Veterans Home	671	534,190.61	40,454.12	7.57%
Veterans Affairs	672	700.00	-	0.00%
Board of Regents		DNR	DNR	
Iowa Finance Authority		DNR	DNR	
<b>Total</b>		<b>\$ 133,362,419.70</b>	<b>3,853,917.51</b>	<b>2.89%</b>

DNR - Did not report.

## Community Colleges Quarterly Report

July 1, 2007 – September 30, 2007

Area Community College	Total Covered Spending	Targeted Small Business Spending	Targeted Small Business Percentage
Northeast Iowa Community College	\$ 4,308,820.00	-	0.00%
North Iowa Area Community College	2,206,772.00	9,000.00	0.41%
Iowa Lakes Community College*	DNR	DNR	
Northwest Iowa Community College	967,288.00	7,472.00	0.77%
Iowa Central Community College - Fort Dodge	851,314.31	-	0.00%
Iowa Valley Community College	DNR	DNR	
Hawkeye Community College	1,070,792.00	6,623.00	0.62%
Eastern Iowa Community College	DNR	DNR	
Kirkwood Community College	DNR	DNR	
Des Moines Area Community College	4,467,240.00	7,167.39	0.16%
Western Iowa Tech Community College	2,554,111.30	-	0.00%
Iowa Western Community College	1,661,492.00	-	0.00%
Southwestern Community College	1,159,034.71	6,181.82	0.53%
Indian Hills Community College	2,271,313.10	6,498.94	0.29%
Southeastern Community College	778,853.00	59.00	0.01%
<b>Total</b>	<b>\$ 17,988,210.42</b>	<b>43,002.15</b>	<b>0.24%</b>

DNR - Did not report.

\*submits reports semi-annually

**Table 3****Area Education Agencies Quarterly Report****July 1, 2007 – September 30, 2007**

Area Education Agency	Total Covered Spending	Targeted Small Business Spending	Targeted Small Business Percentage
Keystone AEA #1	\$ 771,078.00	\$ -	0.00%
Northwest AEA (AEA #4 and Western Hills AEA #12 merged)	297,537.41	94.66	0.03%
Prairie Lakes AEA #8	DNR	DNR	
AEA 267	2,000,496.00	21.00	0.00%
Mississippi Bend AEA #9	3,685,331.00	-	0.00%
Grant Wood AEA #10	1,571,408.60	24.95	0.00%
Heartland AEA #11-Johnston	1,715,086.43	7,431.00	0.43%
Loess Hills AEA #13	745,375.00	-	0.00%
Green Valley AEA #14	DNR	DNR	
Great River AEA #16 and Southern Prairie AEA #15*	185,627.00	-	0.00%
<b>Total</b>	<b>\$ 10,971,939.44</b>	<b>7,571.61</b>	<b>0.07%</b>

DNR - Did not report.

\*Merged 07/01/07