



Development Services Agency Small and Minority Business Grant Monitoring Audit

Audit Period: July 2016 through January 2018

Results Summary:

Objective	Conclusion*
SBDC Grant Monitoring	Well-Controlled
IMAGE Grant Monitoring	Well-Controlled
PTAC Grant Monitoring	Well-Controlled
MEP Grant Monitoring	Well-Controlled
MBAC Grant Monitoring	Well-Controlled

*Please refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

The Ohio Development Services Agency (DSA) works to support Ohio's businesses, large and small, as they maneuver in the global economy. DSA's resources to assist businesses include, among others: Small Business Development Centers (SBDC), the Ohio International Market Access Grant for Exporters (IMAGE) program, Procurement Technical Assistance Centers (PTAC), the Ohio Manufacturing Extension Partnership (MEP), and Minority Business Assistance Centers (MBAC).

The Small Business Development Center program is provided through a partnership between DSA, the United States (U.S.) Small Business Administration (SBA), and select Ohio chambers of commerce, colleges and universities, and economic development agencies. These centers provide business counseling and assistance to individuals who are either starting or growing their business.

The International Market Access Grant for Exporters, supported by the U.S. SBA through the State Trade Expansion Program, is designed to increase exports and create jobs by offering financial assistance for small businesses to promote their products and services in new international markets. IMAGE funds will reimburse eligible companies 50 percent of qualifying expenditures for activities associated with new international marketing initiatives.

The Procurement Technical Assistance Centers program is part of a nationwide network of centers created by the U.S. Department of Defense. In Ohio, DSA hosts the program which is supported by a number of community-based organizations serving local businesses. These centers match local businesses with contract opportunities, help clients prepare bids, navigate requirements, and assist clients after winning contracts.

The Ohio Manufacturing Extension Partnership is a state and federal initiative sponsored by the U.S. Department of Commerce's National Institute of Standards and Technology (NIST). Ohio MEP supports Ohio's manufacturing industry by providing the products, services and assistance dedicated to the productivity, growth, and global competitiveness of Ohio's small and medium-sized manufacturers.

Minority Business Assistance Centers provide a variety of business development services to new and existing minority or socially and economically disadvantaged business owners to cultivate their growth and sustainability in the state. DSA partners with community-based, non-profit organizations to host regional MBACs throughout the state. The centers provide technical assistance, professional consulting, access to capital, and assistance obtaining contract opportunities.



OIA conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank DSA staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform an assurance audit related to the controls over several of the agency's grant monitoring processes. This work was completed January through June 2018. The scope of this audit included a review of DSA's grantee monitoring activities within key Small Business and Minority Business programs noted below. The following summarizes the objectives of the review:

- Evaluate the design and adequacy of DSA's fiscal and program monitoring controls over the **Small Business Development Centers**.
- Evaluate the design and adequacy of DSA's fiscal and program monitoring controls over the **Ohio International Market Access Grant for Exporters grant recipients**.
- Evaluate the design and adequacy of DSA's fiscal and program monitoring controls over **Procurement Technical Assistance Centers**.
- Evaluate the design and adequacy of DSA's fiscal and program monitoring controls over the **Ohio Manufacturing Extension Partnership service providers**.
- Evaluate the design and adequacy of DSA's fiscal and program monitoring controls over the **Minority Business Assistance Centers**.

Each program has its own program year; therefore, the audit period for each program is as follows:

- SBDC: October 2016 through September 2017
- IMAGE: October 2016 through September 2017
- PTAC: February 2017 through January 2018
- MEP: October 2016 through September 2017
- MBAC: July 2016 through June 2017

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations identified during the course of the engagement would be discussed with individual agency management and would not be part of this report. However, there were no high, moderate, or low observations identified during this engagement.



During the review, OIA identified opportunities for DSA to gain efficiencies in the process and improve the overall effectiveness of the Small and Minority Business grant monitoring processes. These recommendations, while related to the scope of this review, do not relate to control-based weaknesses, and therefore, have been provided to management in a separate communication entitled 'Other Matters for Management's Consideration'.

* Refer to Appendix A for classification of audit observations.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee



Other Matters for Management's Consideration

OIA conducted an assurance review over the Development Services Agency's (DSA) grantee monitoring activities within key Small Business and Minority Business programs. While OIA did not note any weaknesses in the control design or effectiveness for these processes, opportunities were identified for DSA to gain efficiencies and consistency, in order to improve the overall effectiveness of grant monitoring. These opportunities are noted below.

1. Utilization of Salesforce

Salesforce is the system of record for disbursements to Small and Minority Business program grantees and serves as an electronic invoice log. However, the standard practice currently is for program staff to manually track invoices in spreadsheets. Additionally, it appears program staff interviewed during this engagement, except for IMAGE, do not have the capability to run reports out of Salesforce. During the engagement, OIA requested Salesforce reports listing the disbursements for each program. IMAGE staff was able to provide a Salesforce report with the requested information although it is not a report utilized by IMAGE staff on a regular basis. The Salesforce reports for the other four programs had to be provided by DSA Information Technology staff. OIA noted that several of the Salesforce reports provided by the IT staff were not complete for those programs where funds are sourced from multiple accounts.

For SBDC, the quarterly invoices received from each center are recorded on an invoice log; however, there are two centers that submit monthly invoices. Only the last monthly invoice of each quarter is recorded on the SBDC invoice log; therefore, it appears all centers submit invoices on a quarterly basis. If invoices are going to continue to be manually tracked, consider recording all monthly invoices on the SBDC invoice log for consistency purposes, as well as to ensure accurate and complete record keeping.

Furthermore, while program staff have the knowledge to approve disbursements within Salesforce (disbursements awaiting approval are in a queue), some program staff did not have the knowledge to access disbursements that had already been approved in Salesforce.

Since Salesforce contains all the information needed to monitor invoices, it should be utilized by program staff rather than performing inefficient, manual tracking in spreadsheets. Consider providing training and/or resources to program staff so that Salesforce can be utilized to its full extent and program staff can be knowledgeable about reporting capabilities available in Salesforce. Consider implementing procedures for Salesforce reports to be utilized for monitoring invoices.



2. Documentation of Invoice Reviews

All programs appear to be evidencing the review and approval of grantee invoices in various ways: SBDC indicates approval on a memo, IMAGE utilizes a reimbursement request sign-off sheet, MEP signs off on the expense summary sheet, and PTAC and MBAC both indicate approval on the invoice. While these methods are adequate, the reimbursement request sign-off sheet utilized by IMAGE provides the best indication of the review criteria. The reimbursement request sign-off sheet contains a checklist of items that must be reviewed prior to approval of the invoice. In the short term, consider implementing one, standard reimbursement request sign-off sheet (or standard advance request for MBAC), with checklist items tailored to each program, to promote consistency between DSA's Small and Minority Business programs. PTAC already intends to utilize a tailored reimbursement request sign-off sheet going forward. In the long term, continue with modifications to Salesforce to create an electronic review checklist and invoice approval for each program within Salesforce.

3. Program Monitoring

Monitoring of grantees is essential to an effective grants management process. The following opportunities for improvement were noted related to program monitoring:

- During the audit period, an onsite review was completed for only one of the three PTAC grantees. Consider implementing procedures to conduct an onsite review for each PTAC grantee on an annual basis.
- MBAC had an informal onsite review process during the audit period; however, MBAC has since obtained an onsite review template and is formalizing the process. During the formalization, consider including procedures to conduct an onsite review for each MBAC grantee on an annual basis.
- Annually, the DSA Lead Center validates SBDC impact data by reviewing counseling notes, any training attended by the small businesses, and the client attribution statements in the client files. The SBDC impact data that has been validated by the DSA Lead Center is noted on the Excel sheet for each center by indicating "verified" or "ok"; however, the date and the person who verified the impact data is not noted. Consider recording the date and person who verified the SBDC impact data on the Excel sheet.

Due to the limited nature of our review, we have not fully assessed the cost-benefit relationship of addressing the recommendations identified. However, the above recommendations reflect our continuing desire to assist DSA in achieving improvements in internal controls, compliance and operational efficiencies. Should you have questions or desire further services, please contact OIA. A written response is not required for these recommendations.