



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'.



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