_____City of _____
Gainesville   *Inter-Office Communication*

November 25, 2003

TO: Audit and Finance Committee
               Mayor Tom Bussing, Chair
               Mayor-Commissioner Pro Tem Chuck Chestnut, Member

FROM: Alan D. Ash, City Auditor

SUBJECT: Review of Small Local Business Development Department

RECOMMENDATION

The Audit and Finance Committee recommend that the City Commission:

1) Accept the City Auditor's report and the City Manager's response; and

2) Instruct the City Auditor to follow-up on recommendations made and report the results to the Audit
    and Finance Committee.

EXPLANATION

In accordance with our Fiscal Year 2002 - 2003 Annual Audit Plan, we have completed our review of the
Small Business Development Department. Our review was conducted in accordance with *Government
Auditing Standards* issued by the Comptroller General of the United States. Our report is attached for your
review.

We request the Committee recommend that the City Commission accept our report. Also, in accordance
with City Commission Resolution 970187, Section 10, Responsibilities for Follow-up on Audits, we
request that the Committee recommend the City Commission instruct the City Auditor to follow-up on
recommendations made and report the results to the Audit and Finance Committee.

_____City of _____

Gainesville   *Inter-Office Communication*

October 1, 2003

TO: Wayne Bowers, City Manager

FROM: Alan D. Ash, City Auditor

SUBJECT: Review of Small Business Development Department

On December 9, 2002 the City Commission approved the City Auditor's Annual Audit Plan which included an operational review of the Small Business Development Department. We conducted interviews with key personnel, reviewed operating and financial information and tested management controls. We have completed our review and prepared the attached report with recommendations for improvement in management controls.

In accordance with Commission Resolution 970187, Section 9(b), Report Processing Procedures, please submit your written response to the recommendations presented in the report within 30 days and indicate an actual or expected date of implementation. Our report and your response will then be submitted to the Audit and Finance Committee for review and approval.

We would like to thank Small Business Development Department staff for their cooperation during our review. Our report has been reviewed with Arline Hampton, Small Business Development Department Director and Glenda Currie, Administrative Services Director. Please let me know if you have any comments or questions.

cc: Glenda Currie, Administrative Services Director
     Arline Hampton, Small Business Development Department Director

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Review of Small Business Development Department

EXECUTIVE SUMMARY

On December 9, 2002 the City Commission approved the City Auditor's Annual Audit Plan which included an operational review of the Small Business Development Department (SBDD). The primary objective of this review was to assess and evaluate the operational efficiency and effectiveness of the SBDD. Based on our review, we made recommendations in the following areas:

1. The Purchasing Division encourages the use of procurement cards (VISA) to make incidental purchases such as office supplies and travel arrangements. Procurement card transactions provided by SunTrust Bank cannot be downloaded into the MBE 2000 system, therefore MBE/SBE vendor data must be manually inputted affecting the accuracy of related information reported. Although management has made unsuccessful attempts to find a solution to the reporting problem, we recommend continued efforts be made to develop an accurate reporting system. Recently the Purchasing Division discovered software that has the potential to capture procurement card information and import it to the MBE 2000 system.

2. We noted a few vendors appear on the MBE/SBE qualified vendor list for specific goods and services different from the vendor name. For example, one vendor's primary commodity, as its business name implies, provides catering and restaurant services. Upon further review of the items checked on the vendor's commodities list it appears these may be goods and services the vendor contracts for rather than those provided. We recommend management review vendor information submitted on the commodities list to ensure accuracy.

3. Qualified MBE/SBE vendors must re-qualify annually based on their initial acceptance date. The Small Business Development Department (SBDD) sends renewal notices to vendors twice before removal from the MBE 2000 system. Because of limitations inherent in the current system, all purchases made from the disqualified vendor during the fiscal year are applied to the total MBE/SBE funds expended. We recommend management consider re-qualifying MBE/SBE vendors on a fiscal year basis. Management should also consider the benefits of a bi-annual re-qualification process. In conjunction with recommendation #2, a common re-qualification date for all vendors will ensure all funds expended are accurately reported during the year.

4. SBDD provides a monthly status report of activities performed to management. In our opinion, the indicators contained in the report are not relevant to measure the performance and success of program activities. We recommend management develop substantive performance measurement indicators to include in monthly reports. At a minimum, performance measurement information should be relevant, useful, valid and reliable.

5. Each department is responsible for determining their respective controllable funds, however each department may use a different assessment in how controllable funds are determined. Staff is cognizant that individual performance reviews include an MBE/SBE component and budgeted controllable funds are prepared with that in mind. A conservative controllable funds budget may be intentionally lower creating a situation where staff is not as attentive to opportunities in pursuing MBE/SBE vendors. We recommend management consider other options for strengthening and encouraging minority business enterprise/small business enterprise (MBE/SBE) use of controllable funds. One possible strategy to consider would assign all operational expenses not part of a City contract as controllable funds.

SCOPE, METHODOLOGY AND OBJECTIVES

Our primary focus was to evaluate the system of management control currently in effect over the Small Business Development Department (SBDD). Management is responsible for establishing effective management controls. Management controls, in the broadest sense, include the plan of organization, methods and procedures adopted by management to ensure that goals are met. Management controls include the processes for planning, organizing, directing and controlling program operations. These include systems for measuring, reporting and monitoring program performance. Annual audits in the various Equal Opportunity programs are mandated by the City Charter.

Our primary objective was to review the management and administration of processes related to SBDD programs within the City of Gainesville. Our review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We conducted interviews with appropriate SBDD personnel and departments who have unique procurement needs and departments that purchase goods and services through small business vendors. We benchmarked other MBE/SBE programs and reviewed monthly reports produced through the MBE 2000 System. The scope of our testing was generally for the period October 2001 through July 2003. Based on the results of our review, we have prepared a report of findings, conclusions and recommendations.

SUMMARY AND BACKGROUND

In 1998, the City's minority business enterprise and small business enterprise (MBE/SBE) program was established as a component of the Purchasing Division. During the first year the MBE 2000 System was established to provide a vendor database of qualified MBE/SBE vendors to City departments for consideration when purchasing goods and services and provide a reporting system related to General Government MBE/SBE spending. In addition, guidelines and procedures were established for departments to incorporate the MBE/SBE vendor program into their operating expenses. In 2001, the MBE/SBE component of the Purchasing Division became the Small Business Development Department (SBDD), a stand alone department. The SBDD includes a Director and staff assistant. Gainesville Regional Utilities has a separate MBE/SBE purchasing function and was not included within the scope of this audit.

The SBDD provides a single source for local businesses in the City of Gainesville to receive information related to MBE/SBE start-up, growth and development. Information available pertains to business registration with the State, tax information, occupational licenses, as well as information for qualifying local minority and small businesses for inclusion in the City's MBE/SBE vendor program.

SBDD objectives include:

- Administering the City's Local MBE and SBE procurement program;
- Enhancing the City's ability to track use of MBE/SBE vendors;
- Train City staff in related programs and practices;
- Building collaborative business partnerships to develop and implement strategies to deliver services to area businesses; and
- Working with City Departments to streamline a "One Stop" process to assist in starting or expanding businesses in the City.

For a local small or minority business to be included in the City's MBE/SBE vendor list, the SBDD must qualify the vendor. A local vendor qualifies as an MBE/SBE vendor based on the following criteria:

- A for profit business concern that is at least 51% owned by minority group members.

- An independently owned and operated business concern that employs 100 or fewer permanent full-time employees and has a net worth of not more than $3 million.

The SBDD is also involved in the City's procurement process. During the bid process, the SBDD is involved in the follow activities:

- Attending pre-bid meetings and informing vendors of program criteria;
- Evaluating bid proposals to identify and ensure compliance with MBE/SBE local, federal or state requirements;
- Drafting bid language necessary to comply with federal, state and local MBE/SBE requirement;
- Notifying qualified local businesses of City procurement opportunities;
- Investigating vendor complaints;
- Qualifying and encouraging participation by local MBE/SBEs through outreach programs, advertising in minority publications, networking and providing technical assistance, training and certification;
- Encouraging contractors to maximize their utilization of local MBE/SBEs; and
- Providing assistance and guidance in the development of policies and procedures that facilitate the use of local MBE/SBEs in all of the City's procurement activities.

MBE/SBE Qualification Process

In order for a vendor to become MBE/SBE qualified, a vendor application and affidavit is completed indicating eligibility with prescribed qualifications. The vendor also provides a commodities checklist indicating goods and services offered which is then entered into the MBE 2000 system. This information is accessible to departments purchasing goods and services.

Once qualified, SBDD provides vendor assistance in a variety of areas including:

- Technical assistance;
- Notification of bid opportunities within the City of Gainesville;
- Bid documentation emailed or available for pick up; and
- Inclusion in the City's local MBE/SBE directory.

A vendor successfully qualifying as a local MBE/SBE vendor must re-qualify annually. SBDD notifies vendors 30 days prior to the expiration of qualification status. If the vendor has not submitted the re-qualification documentation prior to the due date, second notices are sent as a reminder to re-qualify.

In FY 2003, the number of qualified vendors was 344. In FY 2002 and FY 2001 the number of qualified vendors was 355 and 295 respectively.

One Time Waiver of Competitive Bidding Requirement

In order to comply with City purchasing policies and procedures, management must award bids to the lowest qualified bidder regardless of MBE/SBE status. However, there is a provision enabling local minority and small business vendors an opportunity to offer goods or services which provides the Purchasing Division with the authority to waive competitive bidding requirements for a first time order through a small and disadvantaged business enterprise in an amount not to exceed $10,000. This policy enables the City to increase spending with minority and small business while allowing the City to assess the vendor's capabilities to perform in accordance with required standards.

MBE/SBE Development

SBDD develops local minority and small businesses for qualification through a variety of methods. These include outreach programs in the form of workshops for the small business owner which provide information on license requirements, tax information and opportunities within the City. Start up packets are offered to vendors starting a business and include licensing information, tax identification information, preparation of a business plan and opportunities available within the City.

Table 1 includes the number of workshops held, vendors qualified and re-qualified and MBE/SBE funds expended from FY 1998-FY 2003.

TABLE 1

FY	MBE/SBE Workshops	Number Vendors Qualified	Total MBE/SBE Funds Expended
1998	5	71	$818,396
1999	25	128	$1,211,899
2000	12	233	$1,632,641
2001	11	295	$2,870,211
2002	8	355	$3,193,767
2003*	5	344	$3,115,325

*Data through September 29, 2003

Potential MBE/SBE vendors are also derived from information provided by the Finance Department. Businesses in recently annexed areas applying for an occupational license are notified with information describing the MBE/SBE program and the required documentation to qualify as an MBE/SBE.

The SBDD also develops MBE/SBE programs by working with the University of Florida as a liaison to provide local businesses with technical assistance through the Business Advisory College Council. This program provides marketing and strategic planning assistance which assists local vendors in developing and growing as an MBE/SBE.

Reporting

MBE/SBE departmental purchases made through the Purchasing Division are tracked through the City's purchasing system and automatically updated through the MBE 2000 system. Each department, as well as the SBDD, can monitor purchases made to MBE/SBE vendors and create reports through the MBE 2000 system. Additionally, this tool is used by SBDD to gather data for inclusion in the monthly status report received by management. However, purchases made through the use of a procurement card (VISA) are not automatically tracked through the MBE system and requiring manual input by each department if the purchase was made through an MBE/SBE vendor. Concerns regarding reporting integrity are discussed in further detail in Issue #1.

Other Services and Activities

The SBDD recently implemented an awards program to recognize City staff in their efforts to promote the use of qualified local vendors. This program has received positive feedback from staff and local MBE/SBE vendors. One local business expressed an interest in sponsoring the event next year to encourage continued participation of local MBE/SBE vendors and City staff.

The SBDD Director chairs an SBD advisory committee. Representatives from various departments provide concerns, suggestions and successes with MBE/SBE vendors and concerns or suggestions for enhancements to the MBE 2000 system.

The SBDD also has extensive information regarding the MBE/SBE program on the City's website. The site includes information regarding the services offered, documents available to download including qualification requirements and documents, as well as current bidding packages available. The site also offers contact numbers and a frequently asked questions section to assist new and current local businesses in becoming qualified vendors.

Benchmark Testing

During our review, we contacted the MBE/SBE programs in Jacksonville, Tallahassee and Tampa (See Appendix A). The components of each city's MBE/SBE are similar. The City of Jacksonville re-qualifies vendors bi-annually based on eligibility while the other cities renew annually. The City of Gainesville and the City of Tallahassee include an MBE/SBE component in management performance reviews.

MBE/SBE goals are established in a variety of ways. The City of Gainesville allows each department to determine controllable dollars. The City of Jacksonville MBE specialist works in conjunction with user departments to determine the MBE/SBE goals for the year and the City of Tampa MBE/SBE office assumes sole responsibility for establishing goals. However, the Tampa Code of Ordinances also requires a percentage of funds that must be apportioned to MBE/SBE vendors.

The City of Gainesville employs fewer staff to administer the MBE/SBE program. The Gainesville MBE/SBE program employs a Director and staff assistant, while Tampa and Jacksonville maintain a staff of 9 and 4 respectively.

MBE/SBE Procurement Card Purchases Should be Included in Total MBE/SBE Funds Reported

Discussion

The MBE 2000 software system is used as a vendor database and automatically updates all MBE/SBE services or goods purchased through a purchase order or contract. The Purchasing Division encourages the use of procurement cards (VISA) to make incidental purchases such as office supplies and travel arrangements. On a selected basis, each department inputs MBE/SBE purchases into the MBE 2000 system. Procurement card transactions are provided monthly from SunTrust Bank in a "PowerBuilder" format. The City's Computer Services Department does not support "PowerBuilder". This prevents data from being downloaded into the MBE 2000 system that would identify MBE/SBE vendors without manually inputting this data. As a result, some departments made purchases through a qualified MBE/SBE, but purchased items were not included. Although we were unable to determine the total MBE/SBE vendor purchases made using the procurement card, we noted 50 percent of departments reported procurement card purchases with an MBE/SBE vendor. For example, the City Auditor's Office made over $300 in purchases through a qualified MBE/SBE not included in the MBE 2000 system. Discussions with other departments indicate staff is aware MBE/SBE purchases made with the procurement card were not included in the MBE 2000 system due to the inefficiency resulting from the manual inputting process and volume of purchases made, as well as the potential unfamiliarity of a vendor's MBE/SBE qualification status.

Reporting provided by SBDD does not accurately reflect MBE/SBE purchases. Since each department is responsible for manually inputting MBE/SBE funds expended under or over reporting errors are likely resulting in inaccurate information. The inability to accurately report procurement card purchases with a qualified MBE/SBE vendor makes the success of the program difficult to measure.

Conclusion

MBE/SBE procurement card purchases are not accurately reported in the MBE 2000 system, thereby affecting the accuracy of related information reported.

Recommendation

Although management has made unsuccessful attempts to find a solution to the reporting problem, we recommend continued efforts be made to develop an accurate reporting system. Recently the Purchasing Division discovered software that has the potential to capture procurement card information and import it to the MBE 2000 system. Until that is achieved, the reporting information currently produced remains inaccurate and cannot be used as a measurement tool.

Management Response

Management concurs. The reporting of VISA purchases is very likely understated due to the inability to electronically capture all departmental VISA spending with qualified local businesses. The Small Business Development Department obtains and reviews manually generated documentation from departments/divisions that substantiates the dollar amount of VISA purchases reported as being spent with qualified local businesses. The Purchasing Department recently purchased "Works Payment Manager" software. It is believed that it will produce custom reports, which will electronically capture VISA spending with qualified local businesses. However, until the new software is fully functioning, the Small Business Development Department will continue to request and review manually generated VISA reports from General Government departments/divisions.

MBE/SBE Vendor List may not Accurately Reflect Provider Goods and Services

Discussion

A vendor becomes eligible as a minority or small business vendor upon meeting certain requirements and completing a commodities list indicating the type of goods or services provided. The commodities list is completed during the initial qualification process. After the initial qualification, a vendor is required to re-qualify annually. The re-qualification is a tool for the vendor to acknowledge status as a small business vendor and acknowledge any additional changes that may have occurred during the past year. The vendor is provided an opportunity to add or delete goods or services provided or other changes to the composition of ownership. During our review of vendor eligibility, we noted some vendors' commodities did not appear to agree with the company name.

We reviewed the commodities report from the MBE 2000 system to determine whether commodities listed could be reconciled with the company name. We noted a few vendors who appeared to provide service other than their company name suggests. One vendor's primary commodity, as its business name implies, provides catering and restaurant services. However, the goods and services checked off on both the qualification form and entered into the MBE 2000 system suggest many other goods and services available including, computer equipment, acoustical tile, book binding supplies, envelopes and lawn maintenance. Upon further review of the items checked on the vendor's commodities list it appears these may be the goods and services the vendor contracts for business operations, rather than goods or services provided.

Departmental staff interviewed indicated that when vendors appear on the MBE/SBE qualified vendor list for specific goods and services different from the vendor name, they question the integrity of the MBE/SBE database and do not venture further from familiar vendors.

Staff verification of the commodities list as it is submitted would assist in ensuring the validity and reliability of the data.

Conclusion

The MBE 2000 System vendor database may not always accurately reflect goods and services provided by vendors.

Recommendation

We recommend management take reasonable steps to ensure vendor information submitted on the commodities list is accurate. When goods or services appear to be outside the vendor's general scope of business follow up should be conducted to ensure this information is accurate.

Management Response

Management concurs. It should be noted that entrepreneurs often do not name their businesses in such a way that readily reflects the products and/or services offered. Therefore, the goods and services provided by a business can best be determined based upon information provided by the business owner's commodity sheet, line card and/or business card. Business owners that qualify to participate in the Local

MBE/SBE Procurement Program identify their commodities and services by submitting the aforementioned information. Using the National Institute of Governmental Purchasing commodities codebook, staff enters all the commodities and/or services indicated by the business owner. However, staff will take all reasonable measures to ensure the commodities and services listed by each business owner are accurate including contacting individual businesses when appropriate.

MBE/SBE Re-Qualification Process Reporting Should be Strengthened

Discussion

As previously mentioned in Issue #2, vendors who qualify for the City's MBE/SBE program must re-qualify annually based on their initial acceptance date. The City currently has 328 qualified vendors. Each month vendors with expiring qualification certificates are required to submit the necessary documentation to re-qualify. Returned documentation and updated certificates are maintained and upon re-qualification the vendor remains on the MBE 2000 system vendor database. If a vendor has not responded on a timely basis, a second notice is sent prior to removing the vendor from the database.

Under the current system, if a vendor fails to re-qualify, all purchases from that vendor continue to be included in the total MBE/SBE purchases made during the year. The MBE 2000 system is unable to differentiate when a qualified vendor becomes disqualified so purchases made during the year are included in MBE/SBE totals.

In our test sample of vendors, 30% did not have a current qualification certificate on file, but remained active in the MBE 2000 system.

Conclusion

The City's re-qualification process is cumbersome and allows unqualified vendors to remain in the active vendor database.

Recommendation

We recommend management consider re-qualifying MBE/SBE vendors on a fiscal year basis. Management should also consider the benefits of a bi-annual re-qualification process rather than annually.

In conjunction with recommendation #2, a common re-qualification date for all vendors would also ensure greater accuracy in reporting MBE/SBE funds expended.

Management Response

Management agrees that the requalification process should be lengthened to at least 2 or 3 years. This would be beneficial to qualified business owners and would significantly decrease the SBDD workload associated with the requalification process. The Local MBE/SBE Procurement Program is currently being revised and will include extended qualification and requalification periods.

On the other hand, management disagrees that this process should be done on a fiscal year basis. The Occupational License mailing currently includes the occupational license tax billing, Enterprise Zone incentive notifications, an annual business survey and the Business News Journal. Due to the volume of information included in this mailing, the addition of a requalification affidavit could jeopardize our businesses from reviewing and handling critically date sensitive information such as the Occupational License Tax payment and the Enterprise Zone incentives. Additionally, given the limited staffing in SBDD, it is preferable to have the workload associated with the requalification process spread throughout the year. However, the Small Business Development Department will mail requalification notices in the most conducive manner feasible to ensure that businesses receive the documentation in a timely manner and will pursue system improvements to recognize specific deactivation dates, which will accurately reflect qualified expenditures and exclude those after the expiration of qualification.

ISSUE #4

Performance Measurement Reporting Should be Strengthened

Discussion

On a monthly basis a status report of activities performed by the department is provided to management. Monthly reports currently used as an internal reporting tool to reflect work performed by SBDD and was not intended to be used as a performance measurement report. However it is widely distributed to the City Commission and Charter Officers with other departments' performance and status reports. In our opinion, the indicators contained in the SBDD monthly report are not relevant to measuring the performance and success of program activities. For example, the report provides information regarding the number of telephone calls received for any reason, office visits received, MBE/SBE advisory committee topics discussed and noting vendors highlighted in employee monthly newsletter. Although this accounts for work performed during the month, it does not provide useful measurement information to determine the efficiency and effectiveness of the MBE/SBE process.

The monthly status report includes information regarding total funds expended for MBE/SBE, however comparative information from the prior year may be more meaningful with the inclusion of the number of MBE/SBE vendors that comprise the total funds expended. This would assist management in determining if only a few MBE/SBE vendors comprise the total funds expended and may assist management in targeting vendor participation throughout the City.

Conclusion

Performance measurement reports currently generated are not useful in measuring the efficiency and effectiveness of the MBE/SBE program.

Recommendation

We recommend management develop substantive performance measurement indicators to include in monthly reports. At a minimum, performance measurement information should be relevant, useful, valid and reliable.

Management Response

Management agrees that the Small Business Development Department Status Report is not a performance measurement report. It is and was intended only to be a report of the status of projects, issues and concerns of the department and the business community. The statistical data included in the status report depicts the level of contact the department has had with the business community, gives an indication of the business community's awareness of and request for the program services and provides a summary of General Government spending. The Small Business Department Director will participate on the city-wide team to institutionalize performance-based measurements, and tangible measures will be developed for the department in conjunction with the overall project.

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| Budgeting for MBE/SBE Controllable Funds Should be Strengthened |
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Discussion

Upon approval of the budget each department assigns budgeted operational expenses into controllable and uncontrollable funds. Uncontrollable funds are those which a department has no direct control because a City contract is in place for goods or services provided. This may include motor vehicles and computer equipment. Controllable funds are discretionary funds as the department has a choice in the provider of goods and services. Examples include office supplies, printing services or dry cleaning services. Controllable funds are those which department managers have the greatest control and opportunity to use MBE/SBE vendors. In some departments, controllable funds comprise a significant portion of total funds. Controllable funds may change significantly on an annual basis depending on the goods and services required during the year. Figure 1 shows the percentage of total controllable funds to total budgeted operational expenses by department for FY 2002.

Figure 1
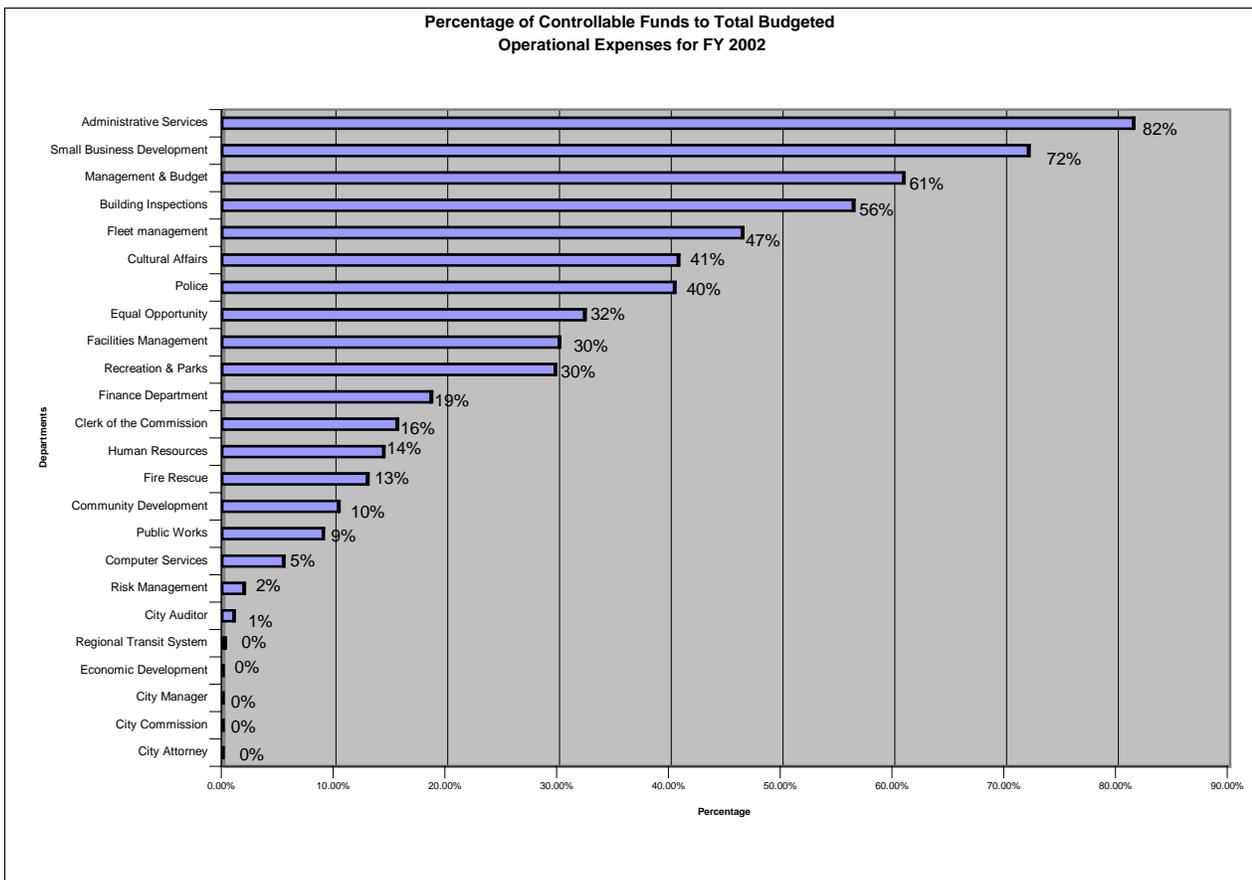
In FY 2002, four departments did not assign controllable funds and four departments assigned greater than 50% of their operating costs as controllable. Figure 2 on the following page indicates actual MBE/SBE funds expended by controllable funds as a percentage by department for FY 2002.

Figure 2

Percentage of Controllable Funds Spent Versus Controllable Funds Budgeted for FY 2002
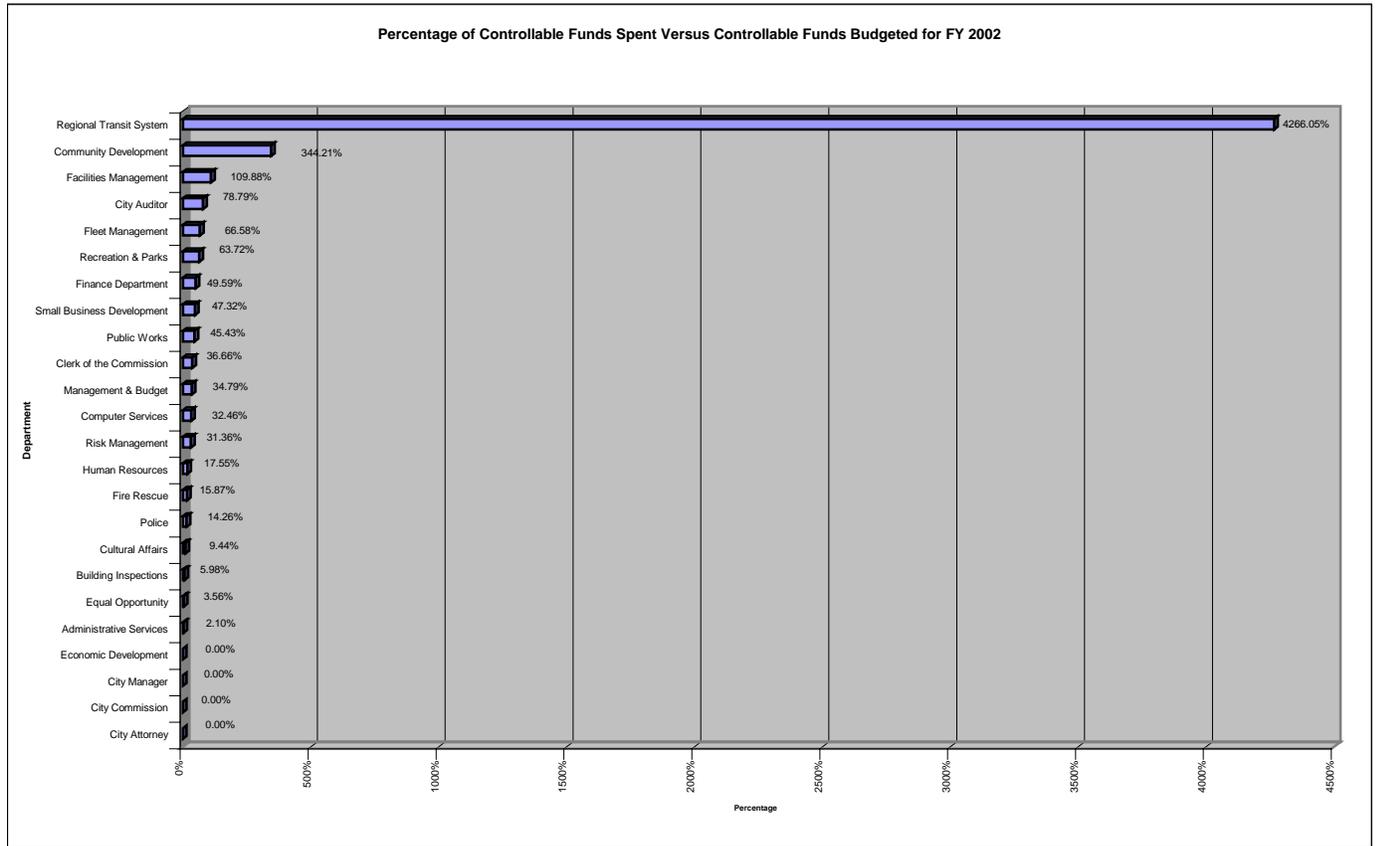
The four departments that budgeted no controllable funds for FY 2002 used MBE/SBE vendors for purchases. This suggests that controllable dollars could have been assigned to provide a basis for performance measurement.

Figure 3 represents departments that budgeted greater than 50% of operational expenses as controllable and total actual controllable MBE/SBE funds expended.

Figure 3
Controllable Funds Expended By Department

Department	Controllable Funds Budgeted	Controllable Funds Expended
Administrative Services	$9,261	$ 194
Building Inspections	3,915	65,487
Small Business Development Department	6,862	14,500
Office of Management and Budget	6,189	17,789

Regional Transit System, Community Development and Facilities Management used greater controllable funds than budgeted due to continuing projects and contracts rolled over from the previous fiscal year.

Each department is responsible for determining their respective controllable funds, however each department may use a different assessment in how controllable funds are determined. Some departmental staff indicated that when determining controllable funds, a conservative approach to estimating controllable funds budget is the preferred practice. Staff is cognizant that individual performance reviews include an MBE/SBE component and budgeted controllable funds are prepared with that in mind. This practice could have an adverse effect on the MBE/SBE program success. A conservative controllable funds budget may be intentionally lower creating a situation where staff is not as attentive to opportunities in pursuing MBE/SBE vendors. Also, once a manager's goal is achieved, staff may not be as aggressive in actively pursuing MBE/SBE vendors for other purchases.

If departments have different perspectives assigning controllable funds, measurement of departmental performance regarding MBE/SBE use is adversely affected.

Conclusion

Departments are not consistently developing and applying controllable funds budgeted which results in difficulty measuring performance.

Recommendation

We recommend management consider other options for strengthening and encouraging MBE/SBE use of controllable funds. One possible strategy to consider would assign all operational expenses not part of a City contract as controllable funds. Departments could then be reviewed and measured on a consistent basis rather than a subjective assessment of controllable and uncontrollable dollars.

Management Response

The goal of the Local MBE/SBE Procurement Program is to continually increase General Government spending. Since 1999, Charter Officers, department heads and staff have been provided a consistent process by which to allocate controllable dollars. The funds that are deemed non-controllable are pass-through dollars that are allocated to sub-recipients, current year contractual obligations, personal services and object codes that are excluded from the process (i.e. postage, telephone, oil, grease, etc.). Departments are also given the discretion to designate other funds as non-controllable with an explanation for the designation. Currently the Small Business Development Department has instituted controls that include the requirement that each department head review and approve all allocated controllable dollars and all spending reports remitted. The designation of controllable and non-controllable dollars delineates and estimates what the department expects to have available to be spent with qualified local businesses.

In the past, the Small Business Development Director met with each department head and various staff members to review reported controllable dollars and to discuss current fiscal year spending initiatives. Due to the Small Business Development Department's very limited staff and heavy workload, these meetings were not held during FY 2003. The Small Business Development Department will strive to meet with each department head in the upcoming fiscal year to review their reported controllable dollars and to discuss any alterations so that greater consistency is achieved. All General Government department spending will continue to be reviewed and evaluated at the end of each fiscal year.