

**MINORITY AND SMALL BUSINESS  
DEVELOPMENT  
AUDIT 19-04  
APRIL 22, 2019**



# CITY OF TAMPA

Bob Buckhorn, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

April 22, 2019

Honorable Bob Buckhorn  
Mayor, City of Tampa  
1 City Hall Plaza  
Tampa, Florida

RE: Minority and Small Business Development, Audit 19-04

Dear Mayor Buckhorn:

Attached is the Internal Audit Department's report on Minority and Small Business Development, 19-04.

We thank the management and staff of Minority and Small Business Development for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover  
Internal Audit Director

cc: Dennis Rogero, Chief of Staff  
Sonya Little, Chief Financial Officer  
Russell Hauptert, Technology and Innovation Director  
Gregory Hart, Minority and Small Business Development Manager  
Ernest Mueller, Chief Assistant City Attorney

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/s/ Debbie Abbott

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Auditor

/s/ Christine Glover

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Audit Director

## **MINORITY AND SMALL BUSINESS DEVELOPMENT AUDIT 19-04**

### **BACKGROUND**

The Minority and Small Business Development (MBD) mission is implementing Small Local Business Enterprise and Women and Minority Business Enterprise (SLBE/WMBE) provisions to achieve result-oriented objectives for equal business opportunities in City contracts. There are two main components:

- The SLBE program is the primary initiative and open to all independently owned small businesses, including WMBEs.
- The WMBE program, which is ethnic and gender based, includes provisions that may allow use of mandatory WMBE goals.

### **SLBE**

The SLBE Program, established by Executive Order No. 2002-48, is designed to increase the opportunity for small businesses regardless of race or gender. This is a set-aside program, which allows specific projects to be held aside only for bidding by certified small businesses. This allows small businesses to compete against other small businesses at their level.

Qualifying small businesses<sup>1</sup>:

1. Are located in the counties of Hillsborough, Pasco, Pinellas, Manatee, or Polk.
2. Are independently owned and operated.
3. Employ twenty-five (25) or fewer permanent, full-time employees.
4. Have average gross annual sales over the previous three-year period of two-million dollars (\$2,000,000) or less.

### **WMBE**

The WMBE Program was established in 1991 to provide women and minority businesses equal contract opportunities in construction, construction-related activities, professional services, goods, and non-professional services.

By Executive Order 1998-02, the WMBE Program states minority and women owned businesses shall have maximum opportunity to participate in the performance of City contracts. The established participation goals are 25% for construction contracts, 14% for professional services, and 4% for goods and non-professional services.<sup>2</sup>

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<sup>1</sup> City of Tampa Minority Small Business Development website “What is the Small Business Enterprise Program?”, 2019

<sup>2</sup> City of Tampa Minority Small Business Development website “What You Need to Know to Become a WMBE”, 2019

The Diversity Management Initiative System (DMI) is a data mart developed in-house to collect, track, and report comprehensive information on vendors, contractors and subcontractors engaged in business with the City of Tampa (COT). The purpose of the end product is to facilitate program evaluation and measurement of the City's effectiveness in providing equal business opportunities for WMBE and SLBE.

### **STATEMENT OF OBJECTIVES**

This audit was conducted in accordance with the Internal Audit Department's FY2019 Audit Agenda. The objectives of this audit were to ensure:

1. The system of internal controls over MBD processes are adequate.
2. Data processed through the DMI data mart is reliable.
3. Businesses listed on the City of Tampa MBD website in the WMBE/SLBE directories are currently certified.

### **STATEMENT OF SCOPE**

The audit period covered FY17 activity that occurred from October 1, 2016, to September 30, 2017, which was the latest period for comprehensive data. Business certification testing occurred on November 20, 2018. Tests were performed to determine whether MBD personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. Original records as well as copies were used as evidence and verified through observation and physical examination.

### **STATEMENT OF METHODOLOGY**

The following techniques were used to accomplish our objectives:

1. Interviewed key personnel and flowcharted processes to determine whether adequate controls over the internal processes had been established.
2. Performed a data reliability assessment on the DMI data mart for accuracy and completeness of the data.
3. Selected a random sample of businesses listed on the website on November 20, 2018, and tested to ensure they are currently certified.

### **STATEMENT OF AUDITING STANDARDS**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **AUDIT CONCLUSIONS**

Based upon the test work performed and the audit findings noted below, we conclude:

1. The system of internal controls over MBD processes could be improved by deploying the best practice of conducting site visits.
2. Data processed through the DMI data mart cannot be evaluated due to lack of documentation of user acceptance testing when the new enterprise resource planning system, Oracle, was implemented.
3. Businesses listed on the City of Tampa MBD website in the WMBE/SLBE directories are currently certified.

## **SITE VISITS**

**STATEMENT OF CONDITION:** Businesses are required to be certified by the Minority Small Business Development Office to be given minority/female and/or small business status. The current certification process includes a desk review of documents, but does not include a site visit. Site visits were previously required, but now only occur if irregularities are identified in the desk reviews.

**CRITERIA:** Site visits are a best practice and are typically required by jurisdictions as part of the certification process. Site visits afford the opportunity to ensure the business meets the criteria established for certification.

**CAUSE:** Management stated MBD performed site visits in the past, but do not have the staff to perform them now. They only perform site visits on applicants when desk reviews identify irregularities.

**EFFECT:** Mistakes and/or fabrications may go undetected, resulting in improper applicants obtaining certification.

**RECOMMENDATION 1:** Management should consider redeploying site visits. To assist with staffing shortfalls, applicants that have been previously certified by a jurisdiction that conducted site visits can be considered a lower risk and potentially have a site visit scheduled within the first 2-year certification period. Applicants without previous site visits should be considered a higher risk and receive site visits prior to certification, if at all possible, or within a feasible time upon certification for validation purposes.

**MANAGEMENT RESPONSE:** MBD concurs that site visits are an effective procedure for vetting applicant eligibility and are considered best practice within the industry and continue to be a major action-step under Federal regulations and judicial guidance. The City of Tampa historically required site visits for every entity applying for a minority-owned, woman-owned or small local business-owned certificate of participation. Due to austerity measures and personnel reductions during the recession, the Administration adopted an alternative approach in lieu of total elimination.

A change in policy/procedure dictated that site visits be reserved exclusively for instances where such visits were absolutely necessary in order to determine certification eligibility where documentation supplied did not suffice or lacked verification. Due to the lack of mandated site visits, MBD's processes have become more thorough in ensuring iron clad documentation and rationale are produced.

**TARGET IMPLEMENTATION DATE:** MBD proposes to continue the alternate "as-needed" approach whenever documentation, references, etc. are insufficient or absence of legitimate certificates from other public bodies do not exist as avenues for investigating.

## **DATA RELIABILITY**

**STATEMENT OF CONDITION:** MBD utilizes a high volume of summary reports as part of a disparity study of City procurement. The outcome of the study displays the participation levels based on availability of businesses that provided the applicable services and commodities. The reporting data was previously sourced from ADPICS, the former Accounts Payables application which was transitioned to Oracle in 2013. Prior to the implementation of Oracle, MBD performed user acceptance testing with Technology and Innovation (T&I) to determine that the reporting data was accurately represented from the source data in ADPICS. Post Oracle transition, there was no documentation pertaining to user acceptance testing between MBD and T&I on the accuracy of the reporting data.

**CRITERIA:** Using a control framework developed by the Information Systems Audit and Control Association, COBIT 5 (Control Objectives for Information and Related Technologies, version 5) Management Practice BAI07 Manage Change Acceptance and Transitioning, recommend accepting and making operational new solutions, including implementation planning, system and data conversion and acceptance testing. Acceptance testing should meet stakeholder approval and takes into account all aspects of the implementation and conversion plans.

**CAUSE:** A weakness was displayed in assessing the requirements for strategic, operational, reporting, and compliance objectives. MBD and T&I did not follow industry best practices for documenting user acceptance testing, after the transition to Oracle, in order to meet end user expectations.

**EFFECT:** Issues in the reporting data may go undetected and not accurately represent the source data. Department decisions may be based on unexpected participation levels.

**RECOMMENDATION 2:** Per COBIT 5 BAI07.03 Plan acceptance tests, establish a test plan based on enterprise wide standards that define roles, responsibilities, and entry and exit criteria. Ensure that the plan is approved by relevant parties. MBD and T&I should create a test plan to perform and document assessments in order to determine that the application changes and upgrades perform in accordance with users' reporting requirements. Perform and document periodic reconciliations between the summary reports and source data.

**MANAGEMENT RESPONSE:** T&I agrees and has implemented procedures to ensure the above does not reoccur in the future. An archival system has been established that will be used to store all appropriate documentation related to a project including a change summary document, updated system documentation, test plans and documentation of results as well as a final sign-off letter for production migration. Before scheduling a production migration, the team lead will review the archive library to ensure that all required documents have been completed and filed into the library.

The user acceptance testing for the DMI system conversion from the legacy ADPICS system to Oracle was completed in March 2015. The MBD employee that conducted the actual acceptance testing retired from the City and acceptance test plans and results could not be located. T&I retained a copy of his email confirming he reviewed the reports and the results were consistent with his expectations, approving the migration to production.

COMPLETION DATE: January 24, 2019