



Mayor's Office of Small and Minority Business Advocacy & Development

Biennial Performance Audit
Follow-up for Fiscal Years Ended
June 30, 2023 and 2022

Josh Pasch, City Auditor

January 21, 2025



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Office of the Comptroller
Josh Pasch, City Auditor
100 N. Holliday St., Room 321
Baltimore, Maryland 21202

Honorable Bill Henry, Comptroller
and Other Members
of the Board of Estimates
City of Baltimore

EXECUTIVE SUMMARY

We conducted a *Biennial Performance Audit Follow up of the Mayor's Office of Small and Minority Business Advocacy and Development's* monitoring of compliance with goals of Minority Business Enterprise (MBE) / Women's Business Enterprise (WBE) that were included as part of the previous performance audit report of Department of Law (DOL), dated October 3, 2022¹. The scope of the performance audit follow-up was Fiscal Years (FYs) 2023 and 2022. The objective of our performance audit follow-up was to determine the implementation status of management action plans for the prior recommendations.

Our audit concluded that the Mayor's Office of Small and Minority Business Advocacy and Development (SMBA&D) partially implemented its action plans for the prior recommendations. In FYs 2022, 2023, and 2024, the SMBA&D trained agencies on the SMBA&D process. However, SMBA&D has partially implemented the following items:

- **Diversity Management System (B2G System)**² – The B2G System was implemented in March 2024 to track contracts that have MBE and WBE goals and compliance with those goals. This system allows goal compliance to be centralized and to be tracked as payments are made. The SMBA&D is still in the process of resolving the data migration and system integration issues.
- **Annual Agency Reports** – Nine agencies submitted their annual FY 2023 reports. The reporting structure among these nine agencies is inconsistent. Four agencies³ did not include MBE/WBE goals compliance. Only five agencies⁴ had data pertaining to monitoring of MBE / WBE goals compliance. Of the five agencies,
 - Two agencies reported the aggregate total of MBE / WBE goals compliance for all MBE / WBE contracts that the agency manages; and

¹ The objective of the previous audit was to evaluate DOL's monitoring of compliance with goals of MBE / WBE. The scope of the prior audit was FYs 2021 and 2020.

² See the Background Section on page 3 for the organizational change.

³ Four agencies are Baltimore Police Department (BPD), Department of Planning (DOP), Department of Transportation (DOT), and Baltimore City Parking Authority.

⁴ Five agencies are Baltimore City Health Department (BCHD), Baltimore City Information Technology (BCIT), Baltimore City Recreation and Parks (BCRP), Department of General Services (DGS), and Department of Public Works (DPW).

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- Three other agencies reported MBE / WBE goals compliance by individual contracts.
- **SMBA&D's Annual Reports** – The reports do not include information regarding MBE / WBE goals compliance in aggregate total for the City, or in aggregate total for each agency, or MBE / WBE goals compliance by individual contracts within each agency.
- **Standard Operating Procedures** – The SMBA&D is in the process of updating the Standard Operating Procedures (SOP) to reflect the new B2G policy and procedures.

We recommend the Director of SMBA&D:

- Continue implementing the B2G System to track and monitor MBE/WBE goals compliance;
- Obtain the City leaders' expectations {Board of Estimates (BOE) and City Council} for the level of compliance that the City leaders would like to be reported in SMBA&D's annual reports; and
- Set baseline expectations of what should be included in agency annual WBE/MBE compliance reports.

We will follow up on the implementation status of the SMBA&D's action plans when we conduct Group B biennial performance audits in Calendar Year 2026.

We wish to acknowledge SMBA&D's cooperation extended to us during our audit follow-up.

Respectfully,



Josh Pasch, CPA
City Auditor, City of Baltimore
January 21, 2025

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BACKGROUND INFORMATION

The SMBA&D was created in July 2023 to consolidate the functions of the former Mayor's Office of Minority and Women-Owned Business Development with the Minority and Women's Business Opportunity Office (MWBOO). The SMBA&D serves as a comprehensive resource hub for small and minority businesses in the Baltimore City, providing them with valuable support, guidance, and opportunities.

SMBA&D's duties of overseeing the MBE⁵ and WBE⁶ program is governed by the Baltimore City Code Article 5, Subtitle 28, *Minority and Women's Business Enterprises; small local Business Enterprises*. SMBA&D's duties include:

- Certification of business enterprises;
- Maintaining a directory of certified business enterprises;
- Providing information and assistance to business enterprises to increase their ability to compete effectively for the award of City contracts;
- Investigating alleged violations and, when appropriate, making written recommendations for remedial action;
- Maintaining statistics on and reviewing regularly the progress of agencies towards achieving the annual goals for the utilization of MBE / WBE business enterprises, small business enterprises, and local business enterprises;
- Recommending to appropriate City officials' methods to further the policies and goals;
- Monitoring contractors throughout the duration of their contracts to ensure that all efforts are made to comply with this subtitle; and
- Certifying compliance with this subtitle before contracts are submitted to the BOE for award.

⁵ An MBE is a business that is owned, operated, and controlled by one or more minority group members who have at least 51 percent ownership, and is located in the Baltimore City Market Area. A minority is defined under Article 5, Subtitle 28 to include members of the following groups: African American, Hispanic American, Asian American, or Native American.

⁶ A WBE is a business owned, operated and controlled by one or more women who have at least 51 percent ownership, and is located in the City Market Area.

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Additional duties include:

- Operating the Small Business Resource Center which offered 95 webinars annually during FY 2023 and has increased further in FY 2024; and
- Oversight of the Baltimore Main Steets Program to revitalize neighborhoods by uplifting local businesses and community organizations. There are currently nine Main Street neighborhoods in the program.
- Operator of the U.S. Department of commerce Mid-Atlantic Region Minority Business Development Agency Advanced manufacturing center to help makers bring their ideas to life.

OBJECTIVE, SCOPE, AND METHODOLOGY

We conducted our follow-up 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 finding and conclusions based on our audit objectives.

The objective of our audit was to follow up on prior finding and recommendations included in the previous biennial performance audit report dated October 3, 2022. To accomplish our objective, we:

- Conducted meetings and walkthrough of the new B2G system with SMBA&D leadership to gain an understanding of the current processes and procedures;
- Reviewed the Active Contracts with Prime Payments report from the B2G System to assess whether MBE / WBE goals (targets) and attainments (actuals) are consistently recorded and tracked in the B2G System;
- Reviewed training rosters, materials, and short tutorial videos in the B2G System;
- Reviewed FY 2023 annual reports submitted by nine agencies; and
- Reviewed the *Baltimore City Mayor's Office of Small and Minority Business Advocacy and Development Annual Report FY 2023* and *Minority and Women's Business Opportunity Office Annual Report FY 2022*.

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IMPLEMENTATION STATUS OF PRIOR AUDIT FINDING AND RECOMMENDATIONS

Table I

Summary of Implementation Status of Audit Finding and Recommendations from the Biennial Performance Audit Report for Fiscal Years Ending 2021 and 2020

No	Finding	Prior Recommendations	Management’s self-reported Implementation Status	Auditor’s Assessment
1.	<p>The MWBOO ⁷ current process is to contact the prime contractors and subcontractors to obtain the supporting documentation and other information necessary to determine compliance with goals when BOE action is requested (i.e. additional funds, additional time, new contract, etc.). However, the MWBOO does not have a process to proactively track and monitor the status of the contracts and achievement of the (MBE / WBE contract participation goals. As a result, there is no Citywide monitoring of MWBOO compliance for all City contracts.</p>	<p>1) Establish and implement a process to track / monitor the status of the contracts and achievement of the MBE / WBE contract participation goals to evaluate the effectiveness of the MBE / WBE Program and the City's progress towards meeting the annual goals; and</p> <p>2) Enforce contracting agencies to maintain adequate, up-to-date documentation, and submit written reports to MWBOO on compliance with goals. The MWBOO should maintain documentation of reports submitted by contracting agencies for future review.</p>	<p>1) Although Citywide B2G contract compliance system has been implemented, SMBA&D wanted to provide additional context. The SMBA&D conducted vendor and agency training on the system in fall 2023 and early 2024. All active contracts have been added to B2G for contract monitoring via integration with Workday. The SMBA&D is still in the change management process to ensure that that active contract prior payment data is entered into the system. Newly approved BOE contracts are entering the system. The SMBA&D is actively meeting and providing additional assistance to agencies and vendors to ensure they are understanding and utilizing the new process. Due to where SMBA&D is in the process with some agencies, SMBA&D does not have data to display trends within agencies or the City regarding M/WBE payments. The goal is to have enough confirmed data in the system within the next 90 days to begin to draw these conclusions. (Estimated completion date is March 2025)</p>	<p>Partially Implemented</p> <p>1) B2G System – Partially Implemented.</p> <p>See the management self-reported status in the previous column.</p>

⁷ See the Background on page 3 for the organizational change.

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No	Finding	Prior Recommendations	Management’s self-reported Implementation Status	Auditor’s Assessment
	<p>According to MWBOO, it is the responsibility of the contracting agency’s contract administration to track the status of the contract MBE / WBE goals and submit all statistics and documentation that MWBOO requests. However, MWBOO does not enforce contracting agencies to submit written reports on compliance with goals.</p>		<p>2) Agency training was conducted in FY’22-’24 for the agencies to ensure they are aware of the SMBA&D process. The trainings have detailed when to submit a goal sheet or waiver, where to submit requests, timetable for review, and how to utilize B2G for contract compliance (goal setting will be undertaken in the system in the near future).</p> <p>3) Annual Agency reports have been requested for both FY 2022 & FY 2023 regarding efforts to utilize M/WBEs. These reports have varying degrees of details regarding their efforts & effectiveness.</p>	<p>2) Agency training – Implemented</p> <p>3) Annual agency reports – Partially Implemented.</p> <p>Nine agencies submitted their annual FY 2023 reports. The reporting structure among the nine agencies is inconsistent. Four agencies ⁸ did not include MBE / WBE goals compliance. Only five agencies ⁹ had data pertaining to monitoring of MBE / WBE goals compliance.</p>

⁸ Four agencies are BPD, DOP, DOT, and Baltimore City Parking Authority.

⁹ Five agencies are BCHD, BCIT, BCRP, DGS, and DPW.

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No	Finding	Prior Recommendations	Management’s self-reported Implementation Status	Auditor’s Assessment
			<p>4) Annual reports have been presented to the BOE for FY 2022 and FY 2023. The FY 2024 Annual Report will be presented prior to the end of Calendar Year 2024.</p>	<p>Of the five agencies,</p> <ul style="list-style-type: none"> • Two agencies reported the aggregate total of MBE / WBE goals compliance for all MBE / WBE contracts that the agency manages; and • Three other agencies reported MBE / WBE goals compliance by individual contracts. <p>4) SMBA&D’s annual reports – Partially Implemented.</p> <p>The reports do not include information regarding MBE / WBE goals compliance in aggregate total for the City, or in aggregate total for each agency, or MBE / WBE goals compliance by individual contracts within each agency.</p>

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No	Finding	Prior Recommendations	Management’s self-reported Implementation Status	Auditor’s Assessment
			5) The SOPs will be revised to reflect new policy and procedures throughout FY 2025.	5) SOPs – Not implemented. See the management self-reported status in the previous column.

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APPENDIX I - MANAGEMENT’S RESPONSE TO THE AUDIT REPORT

Date: January 21, 2025

To: Josh Pasch, City Auditor

Subject: Management Response to Audit Report:

Biennial Performance Audit Follow up of the Mayor’s Office of Small and Minority Business Advocacy and Development for the Fiscal Years Ended June 30, 2023 and 2022

Our responses to the audit report findings and recommendations are as follows:

Recommendation I: We recommend the Director of SMBA&D:

- Continue implementing the B2G System to track and monitor MBE/WBE goals compliance;
- Obtain the City leaders’ expectations (BOE and City Council) for the level of compliance that the City leaders would like to be reported in SMBA&D’s annual reports; and
- Set baseline expectations of what should be included in agency annual WBE/MBE compliance reports.

Management Response/Corrective Action Plan

Agree

Disagree

Implementation Date: October 1, 2025


- Action Plan Milestone (1): April 1, 2025 - contracts locked into B2G
- Action Plan Milestone (2): August 1, 2025 - new agency annual report template with request
- Action Plan Milestone (3): October 1, 2025- meet with leadership regarding FY 2025 annual report

Responsible Personnel:

- Christopher Lundy, Director, SMBA&D

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MEMORANDUM

TO:	Josh Pasch, City Auditor	
FROM:	Christopher R. Lundy, Director SMBA&D	
SUBJECT:	Biennial Performance Audit Fiscal Years 2022 & 2023	
DATE:	January 21, 2025	

Management Response/Corrective Action Plan

Agree **Disagree**

The Mayor’s Office of Small and Minority Business Advocacy & Development (SMBA&D) appreciates the hard work, dedication, and partnership of City Auditor Pasch, Deputy City Auditor Maung, and their team. It has been a pleasure working with them. The FY 2022 and FY 2023 Audit Report makes three recommendations. SMBA&D agrees with the recommendations. They are in accordance with ongoing process improvements and are addressed below.

I. Continue implementing the B2G System to track and monitor M/WBE goal compliance.

The B2G diversity compliance management system has been a critical aspect of our operations for several years. We rely upon the system to certify small local M/WBEs, host the active certified M/WBE directory, investigations, messaging to the certified businesses, and outreach. The final components of contract compliance and goal setting are in process. SMBA&D conducted vendor and agency training on the system in fall 2023 and early 2024. The trainings have detailed when to submit a goal sheet or waiver, where to submit requests, the timetable for review, and how to utilize B2G for contract compliance. All active contracts have been added to B2G for contract monitoring via integration with the system of record, Workday. SMBA&D is still in the change management process to ensure that active contract prior payment data is entered into the system. Newly approved BOE contracts are entering the system. SMBA&D is actively meeting and providing additional assistance to agencies and vendors to ensure they are understanding and utilizing the new process. Although, we currently have the active contracts in

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the system, they must be reviewed for accuracy. This is due to Workday missing critical information regarding the M/WBE subcontractors on the contract and the M/WBE utilization goals. There have been numerous challenges during the process of integrating with Workday. We are actively getting payment information from Workday via the integration. We are currently working to ensure all contracts have accurate goal and subcontractor data and to capture purchase orders that are not attached to a contract. The review of the detailed contract data will be completed by April 2025. Once contracts are locked into the system, contract compliance reviews are being completed electronically via B2G.

II. Obtain the City leaders' expectations (BOE and City Council) for the level of compliance that the City leaders would like to be reported in SMBA&D's annual reports.

SMBA&D is excited to have a Data Officer join the team. This data scientist will be able to analyze Smartsheet, Sourcelink, and B2G data for more robust reporting. We have lacked the ability to have Citywide and M/WBE spend data. Due to where SMBA&D is in the process with some agencies, SMBA&D does not have data to display trends within agencies or the City regarding M/WBE payments. This analysis will allow us to be more intelligent and intentional in our process. We will be able to look Citywide, agency, sector, or NAICS code to determine M/WBE utilization and spending. We anticipate the FY25 annual report onward to include data akin to the D.C. Greenbook. This will provide the needed data analysis to determine what is effective in our efforts to provide more opportunities for small businesses. I look forward to meeting and discussing further with the BOE once we have a more complete view of the data.

III. Set baseline expectations of what should be included in agency annual M/WBE compliance reports.

These reports have varying degrees of details regarding their efforts & effectiveness. This is a Code requirement that was not previously enforced, and we have undertaken change management to ensure that this takes place annually. Additionally, the agency annual M/WBE compliance reports have been a challenge due to the lack of M/WBE spend data. We are currently utilizing a template to guide the agencies in providing their annual reports. We continue to evaluate the format to ensure that we are receiving adequate information. The reports will be changing when we make the FY 2025 request due to there being data to provide to the agencies. SMBA&D will have the capabilities to pull the agency data and provide it to each agency to provide a narrative to give context to their performance. SMBA&D intends to provide agencies with their M/WBE spending data on a regular basis throughout the year when we are meeting with them to improve M/WBE utilization throughout

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the year rather than waiting to look back upon a lack of utilization. These efforts will also be bolstered by the capital construction project management platform, Unifier. The agency will provide an overview of any M/WBE efforts to provide opportunities, including new initiatives or programs. Furthermore, we will be able to analyze the percentage of contract dollars awarded and paid to M/WBEs. We will ideally receive forecasts of projects or initiative for the upcoming fiscal year to allow small businesses to better plan and be prepared for those opportunities. These requests will be made shortly after the start of FY 2026.