Honorable Charlie Crist
Governor of Florida
The Capitol
Tallahassee, FL 32399

Dear Governor Crist:

Section 20.055(5)(h), Florida Statutes, requires the inspector general to monitor the implementation of the state agency's response to any report on the agency issued by the Office of Program Policy Analysis & Government Accountability. The inspector general is also required to provide a written response to the agency head on the status of corrective actions taken.


In accordance with the requirements of Section 20.055, Florida Statutes, we obtained from the Office of Tourism, Trade, and Economic Development and the Florida Black Business Investment Board information on the status of the implementation of the recommendations. The results of our follow-up review, documented on the enclosed report, disclosed that, although actions have been taken to implement most of the recommendations, implementation of the recommendation for one issue has not been completed. However, staff indicated full implementation will be completed by July 31, 2010. We will continue to monitor the implementation progress and request another update by June 30, 2011.

I am available at your convenience to discuss this matter further.

Sincerely,

Melinda M. Miguel
Chief Inspector General

Enclosure

cc: Kathy Dubose, Legislative Auditing Committee
    Shane Strum, Chief of Staff
    Chris Hart, Office of Tourism, Trade, and Economic Development
    Karl Blischke, Office of Tourism, Trade, and Economic Development
    Paula Duncan, Florida Black Business Investment Board
Finding No. 1:

The Black Business Investment Board has taken steps to carry out its statutory responsibilities, but additional action should be taken.
- OTTED has not effectively monitored black business investment corporation performance.
- OTTED does not require the black business investment corporations to report on their achievements of key program goals

Recommendation:

To improve its performance in carrying out its statutory responsibilities, we recommend that the Florida Black Business Investment Board enhance its website to provide more information resources of interest to black business owners, such as additional entities that can assist minority entrepreneurs in developing business and marketing plants.

To improve OTTED's ability to monitor the black business investment corporations' use of loan funds, we recommend that OTTED work with the investment corporations to ensure they are reporting reliable information for critical performance measures in their reports. The office also should require the investment corporations to provide information on loans and other transactions involving the use of state funds. The corporations should clearly indicate the amount of the transaction funded with state money as well as the amount and sources of matching funds that are used to facilitate the transaction. OTTED also should require the investment corporations to report on their achievement of key program goals.

Management's Response:

OTTED's Response: We agree with OPPAGA's analysis and conclusions that the Black Business Investment Board has taken steps to carry out its statutory responsibilities, and also agree that the Board should consider additional steps in complying with its legislative charges. Additionally, we concur with OPPAGA's conclusion that the Act's statutory provisions are both confusing and duplicative.

There are certain implications of the Report's conclusions with regard to OTTED's monitoring that we believe need further explanation to accurately communicate the Report's findings. OPPAGA's findings stem from its review of data provided in the Black Business Loan Program recipients' quarterly reports. OPPAGA determined that the reporting methods were inconsistent and the OTTED should provide further guidance for reporting. OTTED agrees that reporting methods are inconsistent among Black Business Investment Corporations (BBICs). However, it is important to note that OTTED went beyond the statutory requirements and created the reporting form that includes direction, and held a workshop that explained the form to the BBICs. A second workshop has already been scheduled to reiterate those reporting methods. As such, OTTED has already taken steps to aid in reporting methods, and continues to work with
BBICs to ensure they can report consistently. Reporting methods could also be addressed through updates to the statutory provisions, as OPPAGA suggest.

Additionally, OPPAGA finds that program recipients did not provide data on key programmatic goals. Per Section 288.714, Florida Statutes, recipients of funds under the Black Business Loan Program are to submit quarterly and annual performance reports to the Florida Black Business Board (FBBiB) for compilation of statewide program data. Section 288.714 also provides requirements for the content of such reports which include a report on the duties performed for the program and:

- The dollar amount of all loans or loan guarantees made to black business enterprises, the percentages of the loans guaranteed, and the names and identification of the types of businesses served.
- Loan performance information
- The amount and nature of all other financial assistance provided to black business enterprises.
- The amount and nature of technical assistance provided to black business enterprises, including technical assistance services provided in areas in which such services are otherwise unavailable.
- A balance sheet for the recipient, including an explanation of all investments and administrative and operational expenses.
- A summary of all services provided to nonblack business enterprises, including the dollar value and nature of such services and the names and identification of the types of businesses served.
- Any other information as required by policies adopted by the board.

The Statutorily required performance reports do not include the key program goals that OPPAGA cites as missing.

OPPAGA suggests that a stated program goal is to help the businesses move toward securing conventional loans from mainstream institutions. However worthy this goal may be, the Act does not specify that this is the goal or purpose of the program. Rather, the purpose of the program is to provide funding to black businesses that cannot obtain capital and to develop black business enterprise. As stated in section 288.7103, Florida Statutes, assisting a transition to commercial lending is only referenced as one of several eligibility requirements for a black business to receive a loan from a program recipient.

Eligibility for loan, loan guarantee, or investment: A black business enterprise is not eligible to receive a loan, loan guarantee, or investment from funds disbursed pursuant to s. 288.7102 unless the black business enterprise demonstrated that:

1. The proposed loan, loan guarantee, or investment is economically sound and will assist the black business enterprise in entering the conventional lending market, increasing opportunities for employment, and strengthening the economy of the state.
Executive Office of the Governor, Office of the Chief Inspector General
Six-Month Follow-up for
Office of Program Policy Analysis and Government Accountability Review
*Stronger Reporting Needed for the Black Business Loan Program; Some Statutory Provisions Outdated*
Report Dated December 2009

(2) The black business enterprise will be able to compete successfully in the private sector if the black business enterprise obtains the requested financial assistance and has obtained or will obtain appropriate and credible technical or managerial support through an organization approved by the corporation.

Program recipients through their loans and technical assistance help black businesses (with potential) to become more bankable by building and demonstrating a successful credit history and giving them opportunities to grow. OTTED will work with program recipients to begin collecting data for a longitudinal look at black businesses' success rate at entering the commercial lending market after participating in the program and meeting obligations for existing loans under the program.

OPPAGA also cites black businesses' inability to obtain capital from commercial lenders as a performance goal missing in the quarterly reports. As OPPAGA suggests, the statutes are confusing as this is not listed among the statutory eligibility requirements defined in section 288.7103 for receiving a loan or in section 288.714 as a reporting requirement.

**Black Business Investment Board Response:** The response did not address this finding or the recommendations.

**Description of all corrective action implemented, partially implemented, and scheduled but not implemented:**

The FBBIB is currently working to enhance and improve their website. This project is estimated to be completed by July 31, 2010.

OTTED has developed and implemented a new reporting format for all program grantees. The report requires grantees to itemize funds used in qualified transactions by state program funds and those from other entities. Additionally, the report requires grantees to certify that businesses that received program loans, loan guarantees or equity investments under the program could not obtain capital from conventional lenders.

Finally, OTTED began meeting with program grantees at quarterly meetings to discuss and review the program and reporting requirements. This allows grantees a forum for addressing any questions about reporting and promotes a consistent understanding of reporting methods.
Finding No. 2:

Outdated statutory provisions have created confusion and duplication.

Recommendation:

To eliminate duplicative reporting requirements, we recommend that the Legislature amend s. 288.714, Florida Statutes, to direct the investment corporations to submit their performance reports to OTTED rather than the Black Business Investment Board. Further, the office, rather than the board, should annually report to the Legislature regarding the performance of the Black Business Loan Program. We also recommend that the Legislature amend s. 288.7102, Florida Statutes, to require the investment corporations’ certification applications to be sent directly to the office rather than the board.

Management’s Response:

Not Applicable. The recommendations for this finding were addressed to the Legislature.

Description of all corrective action implemented, partially implemented, and scheduled but not implemented:

The 2010 Legislature passed House Bill 1551 and the Governor signed the bill. House Bill 1551 made the changes recommended in the OPPAGA report.

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