

Audit of MBDA Business Center Program

REPORT NO. OIG-26-001-A

NOVEMBER 19, 2025





November 19, 2025

MEMORANDUM FOR: Paul M. Dabbar
Deputy Secretary of Commerce

A handwritten signature in blue ink, appearing to be "RB", followed by a horizontal line.

FROM: Richard Bachman
Assistant Inspector General for Audit and Evaluation

SUBJECT: *Audit of MBDA Business Center Program*
Report No. OIG-26-001-A

Attached is the final report on our audit of the Minority Business Development Agency's (MBDA's) oversight of its Business Center program.

We will post the report on [our website](#) per the Inspector General Act of 1978, as amended (5 U.S.C. §§ 404, 420).

Within 60 calendar days, please provide an action plan addressing the report's recommendation, as required by Department Administrative Order 213-5.

Any nongovernmental organization or business entity specifically identified in this report can submit a written response to clarify or provide additional context on any specific reference (Pub. L. No. 117-263, § 5274). The response must be submitted to Patricia McBarnette, Audit Director, at pmcbarnette@oig.doc.gov and OAE_Projecttracking@oig.doc.gov within 30 days of the report's publication date. We will post the response on our website as well. If the response contains any classified or otherwise nonpublic information, the organization should identify the information and provide a legal basis for redacting it.

We appreciate your staff's cooperation and professionalism during this audit. If you have any questions or concerns about the report, please contact me at 202-793-3344 or Patricia McBarnette, Audit Director, at 202-793-3316.

Attachment





Report Highlights

Audit of MBDA Business Center Program

Audit Report OIG-26-001-A

November 19, 2025

➤ **What We Audited** | Our audit objective was to determine the adequacy of the Minority Business Development Agency's (MBDA's) oversight of the MBDA Business Center program to ensure requirements are met. We conducted this audit to follow up on a [2017 audit](#) that found issues with how MBDA administers the Business Center program.

➤ **Why This Matters** | MBDA's Business Center program is a network of centers supporting minority business enterprises that are funded through cooperative agreements with private-sector entities, state entities, native entities, and institutes of higher education.

MBDA has an oversight role to ensure that Business Centers meet the terms and conditions of their cooperative agreements and report accomplishments in a consistent, accurate manner. Proper monitoring and oversight are needed for MBDA to identify and correct potential instances of noncompliance and ensure program objectives are met.

➤ **What We Found** | We found significant issues with MBDA's oversight and monitoring of its Business Center program, similar to our 2017 audit. Specifically, we found the following:

- MBDA did not sufficiently monitor Business Center activities for compliance with award requirements.
- MBDA did not ensure performance metrics reported by Business Centers were accurate and reliable.
- MBDA did not address Business Center single audit findings.
- MBDA did not perform required Business Center site inspections.

Consequently, MBDA cannot ensure that Business Centers comply with award terms and conditions. Further, MBDA cannot ensure that Business Center program goals are being met.

➤ **What We Recommend** | We recommended that MBDA consider improvements to monitoring and oversight when finalizing its plan for continuing operations as it implements Executive Order 14238.



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Introduction

The Minority Business Development Agency (MBDA) was established in 1969 to lead federal efforts to promote the growth and national competitiveness of minority business enterprises (MBEs) through mobilizing and advancing public- and private-sector programs and policy.¹

The Minority Business Development Act of 2021 was included as part of the Infrastructure Investment and Jobs Act, becoming law in November 2021.² This act made MBDA a permanent agency and established MBDA's Office of Business Centers. It also provided statutory authority for the MBDA Business Center program, a national network of public-private partnerships that assists MBEs in accessing capital, contracts, and grants; creating and maintaining jobs; providing counseling and mentoring; and facilitating growth by promoting trade.

On March 14, 2025, the White House issued Executive Order 14238, titled *Continuing the Reduction of the Federal Bureaucracy*, requiring that MBDA's non-statutory components and functions be eliminated to the maximum extent consistent with applicable law and that MBDA reduce the performance of its statutory functions and associated personnel to the minimum presence and function required by law.³ Under Department of Commerce leadership, MBDA is currently in the process of implementing this executive order. As this executive order was issued subsequent to substantial completion of the audit, changes resulting from the executive order are not addressed or incorporated in this report.

The Business Center program is a network of centers funded through cooperative agreements with private-sector entities, state entities, native entities, and institutes of higher education. When this audit began, the program included 40 Business Centers⁴ and multiple specialty centers, including four advanced manufacturing centers, four export centers, and one federal procurement center. The award terms, performance metrics and goals, and the states in which applicants could apply to set up a Business Center were established by MBDA in Notices of Funding Opportunity (NOFOs) in fiscal years (FYs) 2021 and 2022. Cooperative agreements were awarded for up to 5 years; they generally vary in

¹ Executive Order 11458 established the Office of Minority Business Enterprise on March 5, 1969. In 1979, the office was renamed the Minority Business Development Agency.

² Pub. L. No. 117-58, Division K—Minority Business Development (2021).

³ Executive Office of the President. March 14, 2025. [Executive Order 14238](#): *Continuing the Reduction of the Federal Bureaucracy*.

⁴ MBDA awarded cooperative agreements for 42 Business Centers in 2021 and 2022, but only 40 are active as of March 2025.

size from approximately \$250,000 to \$750,000 per year and require the Business Center operator to provide a nonfederal matching share.⁵ Once they receive an award, Business Center operators are subject to ongoing oversight by MBDA.

MBDA's oversight was designed to include review of each Business Center's quarterly expense reports, semiannual financial and programmatic progress reports, and audit results, as well as completion of periodic site inspections and other assessments. MBDA also evaluated the programmatic performance of Business Centers based on specific metrics established in the program's NOFOs. Examples of metrics include the number of jobs created or retained; gross revenues generated through contracts and procurements; the value of financing, capital, or bonding obtained by Business Center clients; the value of capacity investments at Business Center clients; and the number of MBEs served.

MBDA has annual interagency agreements with the National Oceanic and Atmospheric Administration (NOAA) for its Acquisition and Grants Office (AGO) to provide MBDA with award management and administrative services for its Business Center program. This includes start-to-finish grant support and dedicated AGO personnel to perform specified grants management activities. MBDA retains primary responsibility to monitor awardee performance and compliance with award terms and conditions; establish criteria for evaluating project performance; evaluate performance and property reports submitted by award recipients; notify AGO in a timely manner about potential or existing Business Center financial inconsistencies, noncompliance, or other problems; and recommend remedies.

► Objective

We conducted this audit to follow up on our 2017 audit of MBDA's management of its cooperative agreements for the Business Center program, in which we found, in part, that MBDA did not have an effective process for detecting and following up on Business Centers with site visit deficiencies and reviewing performance reports and single audit reports, nor did MBDA maintain required supporting documentation to verify and validate the accuracy of Business Center performance accomplishments.⁶ That report included nine recommendations for improving how MBDA administers the Business Center program, and this audit addresses the findings and recommendations relevant to MBDA's monitoring of the Business Center program.

⁵ For Business Center awards made in FY 2021, the required matching share was waived for the first 2 years of the award period.

⁶ Commerce OIG. September 5, 2017. *MBDA Can Improve Processes to More Effectively Monitor Cooperative Agreements*, [OIG-17-029-A](#).

Our audit objective was to determine the adequacy of MBDA's oversight of the MBDA Business Center program to ensure requirements are met. Specifically, we assessed the adequacy of MBDA's regulatory and policy requirements for:

- monitoring and oversight of Business Centers for compliance with award requirements, including corrective actions taken when Business Centers do not meet requirements,
- review and approval of Business Centers' self-reported performance metric transactions,
- identification and resolution of Business Center single audit findings, and
- use of site inspections to identify or follow up on issues.

We selected 10 Business Centers to review in our audit. Appendix 1 provides a more detailed description of our scope and methodology.



Findings and Recommendation

Summary: Overall, we found that MBDA did not adequately monitor its Business Center program. Specifically, we found the following:

- MBDA did not sufficiently monitor Business Center activities for compliance with award requirements.
- MBDA did not ensure performance metrics reported by Business Centers were accurate and reliable.
- MBDA did not address Business Center single audit findings.
- MBDA did not perform required Business Center site inspections.

Consequently, MBDA cannot ensure that Business Centers comply with award terms and conditions. Further, MBDA cannot ensure that Business Center program goals are being met.

These findings are similar to those in our September 2017 audit report on the Business Center program. Despite actions taken by MBDA to implement the prior report's recommendations, concerns remain regarding MBDA's lack of sufficient and appropriate monitoring of the Business Center program. Strong controls are needed to ensure that Business Center program objectives are met and that federal resources provided to the Business Centers are used responsibly and according to applicable regulations and policies.

➤ **MBDA Did Not Sufficiently Monitor Business Center Activities for Compliance with Award Requirements**

We found that MBDA's oversight did not ensure that Business Centers met the terms and conditions of their cooperative agreements, as required.⁷ MBDA's grants management standard operating procedures (SOP) requires review of detailed quarterly financial reports, review of annual and semiannual financial and performance progress reports, and

⁷ Department of Commerce, Office of Acquisition Management (OAM). Revised January 25, 2018, and April 20, 2021. *Department of Commerce Grants and Cooperative Agreements Manual*, 4.H.

oversight of Business Center performance obligations.⁸ These activities are intended to ensure that Business Centers fulfill the award terms and conditions. However, for the 10 Business Centers selected for review, we identified multiple issues with MBDA's required reviews of reports, monitoring and enforcement of Business Center performance, and documentation to support its oversight work, as described below:

- **Quarterly Expense Reports Were Not Obtained or Reviewed.** MBDA did not collect or review Business Center quarterly expense reports, as required in its SOP—and as MBDA claimed to do in its response to our 2017 audit. Although the SOP states that MBDA will collect the reports and compare for alignment with the original award budgets,⁹ MBDA and AGO each said that the other party was responsible for reviewing the quarterly expense reports.
- **Review of Semiannual and Year-End Financial and Performance Reports Was Untimely and Insufficient.** We found that MBDA reviewed Business Centers' semiannual and year-end federal financial and performance reports; however, these reviews were not always performed in a timely manner, sometimes taking up to 5 months. Additionally, these reviews did not identify issues that we observed in the official grant file documentation, such as noncompliance with “cash on hand” requirements and conflicting information between submitted financial reports and Department of the Treasury payment reports. Further, MBDA reviews did not identify or follow up when Business Center operators made complaints about MBDA oversight, expressed confusion about requirements, or made unclear or contradictory statements. MBDA officials said they communicated with Business Centers and made requests for clarification but did not provide any documentation supporting these actions.
- **No Action Was Taken on Most Unsatisfactory Performance Reports.** We identified 20 semiannual and year-end performance reports resulting in “unsatisfactory” Business Center performance ratings. MBDA's SOP requires Business Centers with at least 6 months of unsatisfactory performance to be placed on a performance improvement plan (PIP). However, we found that only one Business Center was placed on a PIP, and that was only after it had received unsatisfactory ratings on four consecutive semiannual performance reports. Although MBDA asserted it followed up on the unsatisfactory ratings, MBDA did not adequately maintain documentation on actions taken to follow up or address unsatisfactory performance.

⁸ MBDA. March 30, 2017. *Office of Business Development Grants Management Standard Operating Procedures*, ver. 1. Sections 8.3.4 through 8.3.6.

⁹ MBDA, *Standard Operating Procedures*, 35.

- **Official Award Files Were Not Adequately Maintained.** MBDA did not properly maintain documentation in the official grant files as required. Official award files must include all correspondence, notes, reports, amendments, or other information relevant to the award.¹⁰ For example, for the 10 Business Centers selected for audit, MBDA was unable to provide records for 13 of the 57 required financial reports, 12 of the 57 required performance reports, and 23 of the 57 performance report cover sheets (which provide MBDA's calculation for each Business Center's final evaluation score).
- **Management Assessments Were Not Performed.** MBDA did not perform the required management assessments for some of its Business Centers, including use of MBDA branding, adherence to technology and financial management system standards, and customer satisfaction tracking and monitoring.¹¹
- **Cost Share Was Not Reviewed.** MBDA did not review the cost share that Business Centers reported. Instead, it relied exclusively on AGO's review of federal financial reports submitted at the end of an award term to address potential noncompliance with nonfederal cost share requirements. As we noted in our 2017 audit report, this practice diminishes MBDA's assurance that Business Centers are providing the level of funding required by the cooperative agreements.¹²

These issues arose in part because MBDA stopped using its own SOP. According to MBDA officials, the SOP was not in use because they were unaware of it. However, no other process or policy was established. Additionally, there had been substantial turnover in MBDA staff performing oversight functions, leading to missed reviews as well as a lack of adherence to MBDA's primary policies governing Business Center monitoring and oversight.

Regular performance monitoring and reporting systems are key tools to ensure program goals and objectives are met.¹³ Because MBDA was not following and enforcing its own policies, MBDA managed its Business Center program without full awareness of whether awardees were following requirements. Further, because Business Center awards last up to 5 years, it is essential that the official award file maintains all required reports and documentation of monitoring conducted during the performance period for an award.

¹⁰ Commerce OAM. 2018 and 2021. *Department of Commerce Grants and Cooperative Agreements Manual*, 10.A.

¹¹ MBDA. May 31, 2016. *MBDA Business Center Service Optimization Manual*, ver. 1.0. Chapters 4 through 6.

¹² Commerce OIG, *MBDA Can Improve Processes to More Effectively Monitor Cooperative Agreements*, 7.

¹³ Department of Commerce Office of the Secretary. March 25, 2003. Department Organizational Order: *Minority Business Development Agency*, DOO 25-4A, section 4.a.1.

➤ **MBDA Did Not Ensure Performance Metrics Reported by Business Centers Were Accurate and Reliable**

We found that MBDA did not adequately assess Business Center performance metrics, leading to MBDA's approval of inaccurate and unreliable performance data. MBDA is required to establish criteria for evaluating project performance and to monitor project activities to determine whether project goals are being achieved.¹⁴ Business Centers report achievements to MBDA through transactions in an online customer relationship management (CRM) system, and MBDA must review those transactions and approve, deny, or request more information. According to MBDA's SOP, approved transactions must meet specific criteria, including whether the transaction was for a bona fide Business Center client, is linked to Business Center services, and includes a documented level of effort provided by the Business Center to its client. The SOP requires that transactions for contracts and procurements, financing, capacity investments, jobs created, or jobs retained include the following completed and signed forms and related supporting documentation when applicable:¹⁵

- Client Engagement Form
- Client Transaction Verification Form
- Internal Transaction Verification Form
- MBDA Business Center/Business Development Specialist Attestation Form

We reviewed 74 transactions MBDA approved from the 10 Business Centers we selected for audit and found MBDA did not consistently ensure performance metrics reported by Business Centers were accurate and reliable (see appendix 1 for further details on transaction selection). Our review identified duplicate transactions, transactions with missing or inadequate documentation, and transactions that MBDA should not have approved based on the underlying activity. Overall, we found that approximately \$15.4 billion of the \$16.0 billion (96 percent) of the financial activity reviewed should not have been approved, and 2,585 of the 3,906 jobs reported to be created and retained (66.2 percent) should not have been approved, with the remaining transactions for jobs created and retained deemed unreliable.¹⁶ See table 1 for summaries of our transaction testing.

¹⁴ Commerce OAM. 2018 and 2021. *Department of Commerce Grants and Cooperative Agreements Manual*, 4.H.10 and 4.H.14.

¹⁵ MBDA, *Standard Operating Procedures*, 31.

¹⁶ We found that 14 of the 31 financial transactions tested should not have been approved as submitted and that 18 of the 44 transactions for jobs created and retained should not have been approved, with the remaining jobs transactions deemed to be unreliable.

Table 1. Summary of Transaction Testing

► Financial Transactions

Transaction Type	Total for Centers Selected (\$)	Total Amount Tested (\$)	Total Amount Overstated (\$) ^a	Percentage Overstated
Contract/procurement	17,357,501,861	15,850,044,461	15,279,763,798	96.4
Capacity investment	191,496,017	76,175,896	76,175,896	100
Financing	1,124,087,997	82,300,088	6,391,790	7.8
Total	\$18,673,085,876	\$16,008,520,445	\$15,362,331,484	96.0

► Transactions Regarding Jobs Created and Retained

Transaction Type	Total for Centers Selected	Total Amount Tested	Total Amount Overstated ^a	Percentage Overstated	Total Amount Unreliable
Jobs created	5,839	2,038	1,443	70.8	595
Jobs retained	8,248	1,868	1,142	61.1	726
Total	14,087	3,906	2,585	66.2	1,321

Source: OIG review of MBDA CRM data

^a Amount overstated includes all transactions that should not have been approved by MBDA as submitted.

Specifically, we found:

- **Duplicate Transactions.** MBDA approved 16 transactions for an activity already approved in prior transactions, which resulted in an overstatement of financial activity (contracts/procurements, capacity investments, or financing) for the Business Centers by more than \$115.4 million and 646 jobs created and retained. For example, MBDA approved transactions for one Business Center claiming a client received a new contract for \$33 million that resulted in 197 jobs created and retained. MBDA subsequently approved additional transactions for the same Business Center and client claiming another contract for \$33 million and 215 jobs created and retained, using the same supporting documentation as previously submitted.¹⁷

¹⁷ MBDA also approved a third set of transactions for the same Business Center claiming the same client received a new contract for \$33 million that resulted in 215 jobs created and retained, but did not provide any supporting documentation.

- **Transactions With Missing or Inadequate Documentation.** MBDA approved 16 transactions with documentation that was missing or inadequate, did not agree with the transaction, or that otherwise should not have been approved based on the underlying activity, overstating financial activity by the Business Centers by more than \$15.2 billion and 1,939 jobs created and retained. For example, we identified approved contract/procurement transactions that were merely extensions or modifications of existing contracts, not new contracts earned by the Business Center clients.
- **Unreliable Transactions for Jobs Created and Retained.** MBDA approved 26 transactions, for 1,321 jobs created and retained, that were unreliable as they were supported only by assertions in the Client Transaction Verification Forms and the Internal Transaction Verification Forms submitted. Other than those assertions, MBDA did not require Business Centers to submit documentation or explanation supporting jobs created and jobs retained. Further casting doubt on the reliability of the reported jobs amounts, we noted that:
 - Five transactions we tested were for indefinite delivery, indefinite quantity (IDIQ) or blanket purchase agreement (BPA) contracts that had associated transactions collectively reporting 42 jobs created and 154 jobs retained. According to USASpending.gov, four of those contracts (representing 37 jobs created and 147 jobs retained) had no actual associated sales.
 - Numerous Business Center clients reported jobs created and retained associated with low dollar amounts of financial activity. For example, at least 7 clients of the 10 Business Centers selected for audit reported significant numbers of jobs created or retained for less than \$1,000 in financial activity per job.¹⁸
- **Contracting Method Not Identified as Required.** Approximately 76 percent of contract/procurement transactions we reviewed did not indicate the contracting method in the CRM. This information is needed to identify contracts that should not be incorporated in MBDA's reported accomplishments. For example, only one of the five IDIQ or BPA contracts we reviewed was properly labeled and therefore marked for exclusion from MBDA's reported accomplishments. This lack of contract identification could lead to MBDA overreporting financial activity to its stakeholders.

MBDA's practices rely on documents and assertions of Business Center clients and do not include reviewing reported jobs created or retained for reasonableness. Furthermore, although MBDA's SOP contains procedures for evaluating Business Center metrics, MBDA

¹⁸ Those seven clients collectively reported 464 jobs created and retained from financial activity totaling less than \$260,000, for an average of \$558 per job.

officials said they were unaware of it and instead relied on unwritten, informal practices for reviewing transactions. However, we found that those practices were not sufficient to prevent MBDA's approval of duplicate transactions, transactions without adequate documentation, and transactions that disagreed with supporting documentation, in contradiction to the SOP.

➤ MBDA relies on assertions of Business Center clients, not review of supporting documentation, to evaluate reported jobs created or retained. ⬅

Furthermore, neither the SOP nor MBDA's service optimization manual, provided to Business Centers as a guide for the program, contains definitions or other guidance for the performance metrics, and the NOFOs provide only basic definitions for the performance metrics. Additional guidance would assist Business Centers in reporting accomplishments in a consistent, accurate manner and help MBDA officials review reported performance metrics.

The effects of MBDA not ensuring accurate and reliable performance metrics are significant. MBDA uses these metrics to evaluate Business Center performance. Approving transactions that should not be approved artificially inflates the performance metrics for Business Centers, potentially allowing them to avoid consequences for failing to meet performance goals. Further, the Business Center performance metrics are included in MBDA's annual performance reports and reported to Congress in its annual budget submissions. Thus, MBDA's overstated Business Center performance metrics make MBDA programs appear more successful than they actually are, misleading stakeholders.

➤ MBDA Did Not Address Business Center Single Audit Findings

We found that MBDA did not take any action related to findings identified in Business Center single audits.¹⁹ As an awarding federal agency, MBDA is required to follow up on single audit findings to ensure award recipients take appropriate and timely corrective action.²⁰ According to MBDA's interagency agreements with AGO, AGO has primary responsibility to track and manage single audit reports and findings and provide MBDA with

¹⁹ Per 2 C.F.R. § 200.501(a), federal award recipients that expend \$750,000 or more in federal awards in a fiscal year are required to undergo an audit of their financial statements and federal award expenditures conducted by an independent party, known as a single audit. These audits can identify deficiencies in the award recipient's compliance with laws, regulations, contracts, or grant agreements and in its financial management and internal control systems. The single audit threshold in 2 C.F.R. § 200.501(a) increased from \$750,000 to \$1,000,000 effective for fiscal years beginning on or after October 1, 2024.

²⁰ Per 2 C.F.R. § 200.513(c)(3), follow-up includes: (1) issuing a management decision, (2) monitoring the nonfederal entity's progress in implementing corrective action, (3) using a cooperative audit resolution approach to improve federal program outcomes, and (4) tracking the effectiveness of the federal agency's follow-up processes, the effectiveness of single audits in improving nonfederal entity accountability, and the use of single audits in making federal award decisions.

quarterly reports.²¹ Additionally, the agreements require MBDA to provide oversight of single audits, findings, and corrective actions and to collaborate with AGO to review and comment on audit reports, recipient responses to audit reports, and determination appeals. We reviewed Business Center single audit reports for FYs 2021, 2022, and 2023 and identified single audit findings directly and indirectly related to MBDA awards that MBDA had not addressed.

Of the 10 Business Centers we selected for audit, six required a single audit in 2021, three required a single audit in 2022, and four required a single audit in 2023. Four of those had single audit findings in 2021, one had a finding in 2022, and none had findings in 2023.²² For example, one Business Center's 2021 single audit found deficient cash management over MBDA awards and payroll expenses, which did not meet criteria in the Code of Federal Regulations. Another Business Center's 2021 single audit found issues in the allocation of payroll and that controls were not in place to verify that documentation was maintained for the hours paid, resulting in questioned costs.

Neither MBDA nor AGO was able to provide documentation demonstrating completed follow-up actions and resolution for any of the five single audit reports with findings. There was no support demonstrating that MBDA reviewed the single audit findings. Also, although MBDA contacted two Business Centers regarding single audit findings, there are no records indicating MBDA followed up or resolved these matters with the Business Centers.

MBDA and AGO modified the processes for coordination outlined in the interagency agreements by replacing AGO's quarterly reports summarizing single audit reports and findings with weekly meetings between AGO and MBDA. Although the current process may allow for more frequent communication, MBDA and AGO did not document the discussions or decisions made at these meetings, making the extent to which MBDA monitored and followed up on issues identified in single audit reports unclear.

Failure to adequately address single audit findings increases the risk that fraud, waste, abuse, or noncompliance with award requirements may occur and continue unaddressed or unresolved. Thus, it is essential that MBDA follow up on and ensure prompt resolution of single audit findings in the Business Center program.

²¹ The interagency agreements, attachment 4, section S, state, "NOAA/AGO shall have primary responsibility to track and manage single audit reports and shall identify current and upcoming single audits; review, analyze, and comment on audit reports, the recipients' responses, the Program Officer's comments, and prepare the audit resolution proposal in accordance with DAO-213-5. NOAA will construct and provide a report on current and upcoming single audits for MBDA on a quarterly basis and present the report during financial review meetings."

²² As of May 2025, one Business Center was delinquent in submitting its 2023 single audit.

➤ **MBDA Did Not Perform Required Business Center Site Inspections**

We found that MBDA did not perform the necessary Business Center site inspections, as required. MBDA's SOP requires that a new project site inspection occur 60 days after an award is executed and every 2 years during the award period. It further states that periodic site inspections are the joint responsibility of AGO and MBDA.²³ In addition, the MBDA and AGO interagency agreements state that site inspections for all MBDA award recipients, in this case the Business Centers, will include reviews by MBDA for programmatic compliance and by AGO for financial compliance.

For all 42 new Business Center awards issued during FYs 2021 and 2022,²⁴ we found site inspections were not performed as required. Based on the SOP requirements, the Business Centers should have collectively received 84 site inspections from award inception through March 2025—one new award inspection and one periodic site inspection for each Business Center. According to MBDA officials, onsite inspections for new awards could not be performed in 2021 due to COVID-19 restrictions. However, no alternative steps were taken to compensate for the missed inspections, and normal processes were not resumed after the restrictions were lifted. MBDA and AGO subsequently performed only 24 partial periodic site inspections collectively. Those periodic site inspections were performed virtually by either AGO or MBDA during that time and were incomplete, as they did not cover all required criteria.

AGO completed 16 virtual financial site inspections in FY 2022. However, MBDA did not perform corresponding programmatic site inspections for these Business Centers. Additionally, MBDA performed eight virtual programmatic site inspections in March 2024, but AGO did not perform any financial site inspections in 2024. Although MBDA included some financial aspects in its inspections, there was no evidence to indicate they were meant to replace the AGO financial site inspections, as there is no specific guidance from MBDA or AGO on the required content of financial site inspections. Also, all site inspections performed did not include all portions of MBDA's programmatic inspection template from its SOP, such as market promotion, computer equipment requirements, inspection of Business Center documentation, and facility evaluation. Furthermore, we noted that numerous areas in the programmatic inspections were incomplete due to Business Centers not submitting requested documentation, and we found no evidence of MBDA's follow-up to obtain the missing documentation or to address issues identified during the inspections.

²³ MBDA, *Standard Operating Procedures*, 28 and 29.

²⁴ Two of the awards were terminated during the award period.

MBDA officials in the Business Center program office said they were not aware of the SOP requirements for the frequency of site inspections and did not have alternate protocols in place. AGO asserted it has no formal policy specifying criteria for onsite financial reviews of Business Centers, and the interagency agreements do not provide specific guidance for what should be addressed during these reviews. As a result, award requirements that are typically reviewed during site inspections were not reviewed.

Site inspections are a key tool for MBDA to evaluate Business Center compliance with award requirements. Without performing site inspections on a regular basis, MBDA has no other method in place to verify multiple areas of award compliance.

➤ Conclusion

Despite MBDA initially taking corrective actions to address the issues identified in our 2017 audit report, we found that many of the issues remain. Proper oversight of federal awards is important to provide assurance that federal funds are used as intended and in accordance with applicable laws and regulations.

We found that MBDA did not adequately monitor Business Center activities for compliance with award requirements, ensure reported performance metrics were accurate and reliable, address Business Center single audit findings, and perform required Business Center site inspections. As a result, MBDA missed opportunities to identify and correct potential instances of noncompliance and ensure program objectives were met.

Although we found significant issues with MBDA's oversight and monitoring of its Business Center program, we will not make specific recommendations due to the uncertainty stemming from MBDA's ongoing implementation of Executive Order 14238.

MBDA could improve its monitoring and oversight of the Business Center program by considering the actions below when finalizing its plan for continuing operations:

- Establishing processes and updating policies to ensure that MBDA adequately monitors Business Centers for award compliance, including:
 - performing timely reviews of financial and programmatic reports;
 - collecting, reviewing, and following up on quarterly expense reports completed by Business Centers;
 - performing assessments to determine compliance with requirements for branding, technology and financial systems, and customer satisfaction;
 - addressing periods of unsatisfactory progress toward meeting performance goals;

- ensuring all oversight information is included in the official award file; and
 - defining areas of noncompliance and establishing a follow-up process to resolve identified issues.
- Establishing and enforcing policies and procedures to clarify requirements for awarded performance metrics and ensure Business Center-reported performance results are adequately supported and duplicative results are identified and not approved by MBDA.
- Establishing and enforcing guidance for Business Centers to ensure the reported performance metrics are consistently measured, reasonable, and adequately supported.
- Updating processes and policies to ensure MBDA, in coordination with AGO, adequately addresses single audit findings and maintains documentation of actions taken to address and resolve single audit findings in the official award file.
- Designing and implementing guidance for the frequency and content of financial and programmatic site inspections.
- Conducting and documenting new project and periodic site visits to ensure Business Centers comply with grant requirements, as required by policy.

Recommendation

We recommend that the Under Secretary for Minority Business Development incorporate the actions provided in the conclusion section of this report when implementing changes to the Business Center program.



Summary of MBDA's Response and OIG Comments

MBDA reviewed a draft version of this report and responded to our findings and recommendation. In its response and subsequent communication, MBDA concurred with our findings and recommendation, in the context of implementing Executive Order 14238 and complying with ongoing litigation regarding the order. MBDA's complete response, which also included general comments, is included in this report as appendix 2.

MBDA also provided technical comments on the draft report. We considered these comments and revised the report where appropriate.

We look forward to receiving MBDA's action plan, which will provide details on its corrective actions.



Appendix 1. Scope and Methodology

In May 2024, we initiated an audit of MBDA's Business Center program for FYs 2021 and 2022. The objective of our audit was to determine the adequacy of MBDA's oversight of the MBDA Business Center program to ensure requirements are met. To accomplish our objective, we performed the following actions:

- Reviewed relevant regulations, policies, and guidance, including but not limited to:
 - Public Law No. 117-58, Minority Business Development Act of 2021
 - 15 C.F.R. Part 1400, *Determination of Group Eligibility for MBDA Assistance*
 - 2 C.F.R. Part 200, Subpart F, *Audit Requirements*
 - 2021 and 2022 *Notice of Funding Opportunity for the MBDA Business Center Program*
 - *Department of Commerce Grants and Cooperative Agreements Manual*, revised January 2018 and April 2021
 - *Department of Commerce Financial Assistance Standard Terms and Conditions*, November 2020
 - *MBDA Office of Business Development Grants Management Standard Operating Procedures*, version 1.0, March 2017
 - *MBDA Service Optimization User Manual*, version 1.0, May 2016
 - MBDA and NOAA AGO Interagency Agreements for FYs 2021 to 2024
- Interviewed MBDA and NOAA officials to gain an understanding of control activities and monitoring related to Business Center oversight, such as compliance with award requirements, review of expenses, site inspections, and grants management.
- Obtained and reviewed single audit reports from the Federal Audit Clearinghouse. We requested documents from AGO and MBDA related to identification and resolution of Business Center single audit findings, including single audit reports, emails, and summary reports.
- Accessed the NOAA Grants Online and eRA grant systems to obtain and review award documentation such as financial and progress reports, single audit reviews, site inspections, assessments, and communications between the Business Centers and MBDA or AGO.
- Selected Business Centers to determine if MBDA met oversight requirements during the audit period. We judgmentally selected 10 of the 42 Business Centers awarded

cooperative agreements in FYs 2021 and 2022 based on risks identified, such as single audit report findings, performance of site inspections, and other perceived risk factors. We selected the following 10 Business Centers for audit:

Alabama	Illinois
Colorado	Mississippi
El Paso, TX	Missouri
Hawaii	Philadelphia, PA
Houston, TX	Sacramento, CA

- Obtained and analyzed performance metric transaction data from MBDA's CRM system from July 2021 through September 2024. For the 10 Business Centers selected for audit, the CRM data included 2,334 approved transactions. We judgmentally selected 74 transactions based on perceived risk factors and reviewed supporting documentation to determine the adequacy of MBDA's review of transactions.

As we judgmentally selected Business Centers and CRM transactions for testing, the results and overall conclusions are limited to the items tested and should not be used to project to the population of untested Business Centers and CRM transactions.

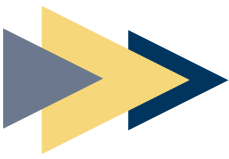
We did not rely solely on computer-processed data to perform this audit. We assessed the reliability of the data by (1) reviewing the data for obvious errors and (2) comparing the data with other available supporting documents to determine data consistency and reasonableness. Based on these efforts, we believe the data we obtained is sufficiently reliable for this report.

During our audit, we gained an understanding of the internal controls significant within the context of our audit objective by interviewing AGO and MBDA officials and reviewing relevant policies, guidance, and documentation. We then assessed MBDA's control activities for oversight of the Business Center program to ensure requirements were met. We reported internal control deficiencies we identified during the audit in the "Findings and Recommendation" section of this report.

We conducted our audit from May 2024 to August 2025 under the authority of the Inspector General Act of 1978, as amended (5 U.S.C. §§ 401-424), and Department Organization Order 10-13, as amended October 21, 2020. We performed our fieldwork remotely.

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 that provides a reasonable basis for our findings and

conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.



Appendix 2. MBDA's Response

MBDA's response to our draft report begins on the next page.



September 2, 2025

Mr. Richard Bachman
Assistant Inspector General for Audit and Evaluation
Office of Inspector General
Office of Audit and Evaluation
Washington, DC 20230

Dear Mr. Bachman:

The Minority Business Development Agency ("MBDA") reviewed the August 11, 2025, draft report titled "Audit of MBDA Business Center Program." On August 29, 2025, MBDA sent a letter to the Office of Inspector General ("OIG") concurring with the draft report's findings. MBDA's August 29, 2025, letter included a table summarizing the status of the ten Business Centers referenced in the draft report but made an omission with respect to the Missouri Business Center. This letter corrects that omission.

As part of its own program management, as of August 29, 2025, MBDA has terminated or discontinued the funding of nine of the ten Business Centers that the OIG reviewed as part of the above-referenced audit:

Business Center	Status as of August 29, 2025
Alabama	Terminated
El Paso	Terminated
Hawaii	Discontinued
Houston	Terminated
Illinois	Discontinued
Mississippi	Terminated
Missouri	Terminated
Philadelphia	Terminated
Sacramento	Discontinued

MBDA is continuing to review any further administrative action(s) in response to the subject audit and will provide an update to your office within 90 days of MBDA's August 29, 2025, letter.

Sincerely,

Catherine F. I. Andrade
Acting Director
MBDA Business Centers

REPORT

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