

Internal  
Audit  
Report

*Division of Fiscal Services – Office of Purchasing*

**Purchasing: Minority Business  
Enterprise (MBE) Program Audit**

*January 2024*

# Office of Purchasing

*The Office of Purchasing educates, guides, and supports customers by providing timely and efficient delivery of procurement services. They demonstrate high standards of proficiency in compliance with policies, rules and governmental regulations to guarantee the success of all stakeholders while preserving public trust.*



Baltimore County Public Schools  
Office of Internal Audit

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**Executive  
Summary**  
January 2024

*Division of Fiscal Services – Office of Purchasing*

**Purchasing: MBE Program Audit**

**Background**

The Office of Purchasing administers procedures to facilitate the participation of Minority Business Enterprises (MBE) in all state-funded construction contracts.

**Objective**

The objective of the audit is to determine if BCPS complied with MBE procedures for state-funded construction projects.

**Results in Brief**

The results of Internal Audit's review disclosed no reportable issues with the MBE program process for state-funded construction projects.

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## BACKGROUND

### *Historical Overview*

In 1978, the Maryland General Assembly passed legislation, which was signed into law to establish the State's Minority Business Enterprise Program. This new law set a goal that at least ten percent of each unit of state government's total dollar value of procurement contracts for purchases and contracts be awarded to minority business enterprises.

In 1979, the rules, regulations, and procedures for the administration of the School Construction Program were revised by the Board of Public Works to require each local board of education to adopt procedures to attempt to include minority business enterprises in state funded school construction projects.

In September 1996, the Board of Education of Baltimore County established Policy 3200, Non-instructional Services: Purchasing, Purchases from Minority and Small Business Enterprises, with Rule 3200 following in September 1997. Over the years, the goals were increased until in 2012, the MBE goal became 29%.

In May 2007, the rules, regulations, and procedures were replaced by regulations. The regulations concerning project management (COMAR 23.03.03) indicate that the state's minority business enterprise goals and procedures apply to all state funded projects, irrespective of procurement method.

In August 2017, Board Policy 3200 and Superintendent's Rule 3200, Non-instructional Services: Purchasing, Purchases from Minority and Small Business Enterprises, were revised to require the setting of an annual goal for participation with minority and small business enterprises.

### *MBE Definition*

MBE means any legal entity, except a joint venture, that is (a) organized to engage in commercial transactions, and (b) at least fifty-one (51) percent owned and controlled by one or more individuals who are socially and economically disadvantaged including: African Americans, American Indians/Native Americans, Asians, Hispanics, physically or mentally disabled individuals, or women.

## COMMENDATIONS

<i>Communication</i>	The Director of Purchasing was prompt in her responses to our requests and provided detailed explanations when follow-up was needed.
<i>Standard Operating Procedure (SOP)</i>	There is a detailed SOP for completing the MBE program processes.
<i>MBE Tracking</i>	BCPS has an effective monitoring practice for MBE participation for each state-funded construction project.
<i>Compliance with Interagency Committee (IAC) on School Construction MBE procedures</i>	Internal Audit evaluated a random sample of state-funded construction projects completed in FY 23 against the IAC MBE procedures and determined that BCPS complied with the procedures.
<i>Annual MBE Report</i>	<p>BCPS completes an annual MBE report, as required by Superintendent Rule 3200. The FY 23 report indicated that:</p> <ul style="list-style-type: none"><li>• BCPS has exceeded the 29% participation rate on state funded construction projects for the past 12 years.</li><li>• In 2023, BCPS submitted no requests for waivers on state funded construction projects.</li><li>• BCPS has held a "Meet the Primes" outreach event since 2009. This event joins prime contractors, subcontractors, governments, and advocacy groups together in networking. It drew over 900 registrations from small and minority owned businesses and allowed them to network with 150 prime contractors, advocacy groups, and state and local government agencies.</li><li>• BCPS also participated in other outreach events sponsored by other agencies, including Maryland Minority Contractors Association event, Maryland Live! Casino Vendor Fair, Maryland Washington Minority Companies Association events.</li><li>• MBE participation rate for FY 2023 was 34.89%.</li></ul>

## RESULTS

There were no reportable issues noted. The Office of Internal Audit determined that BCPS complied with MBE procedures for state-funded construction projects.

## OBJECTIVE, SCOPE & METHODOLOGY

- Objective**            The objective of the audit is to determine if BCPS complied with MBE procedures for state-funded construction projects.
- Scope**                The audit period is FY 23 state-funded construction projects.
- Methodology**        To achieve the audit objectives, we performed the following:
- Discussed MBE procedures with Purchasing staff to ensure an understanding of the process.
  - Reviewed Board policies and Superintendent rules, COMAR 23.03.03 – Construction Procurement Methods, and SOP for MBE procedures.
  - Evaluated a sample of state-funded construction projects against IAC MBE procedures.
  - Reviewed annual MBE report completed by Office of Purchasing.
  - Recalculated FY 23 MBE percentage for state-funded construction projects.