



**ODI**  
Ohio Department  
of Insurance

John R. Kasich, Governor  
Jillian Froment, Director

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November 9, 2018

Mr. Randall J. Meyer, Inspector General  
State of Ohio  
Ohio Inspector General  
30 East Broad Street, Suite 2940  
Columbus, Ohio 43215

RE: Ohio Department of Administrative Services, Report No: 2017-CA00011

Dear Inspector General Meyer,

Please accept this letter as the Ohio Department of Insurance's (Department) response to recommendations issued by your office in report 2017-CA00011 on September 20, 2018.

- 7) **The Ohio Department of Insurance should assure compliance with procurement policy established by the Ohio Department of Administrative Services and not falsely claim purchases as MBE set-aside expenditures when those purchases do not meet the set-aside criteria.**

The Minority Business Enterprise (MBE) program is an initiative in which the Department is pleased to participate. The goal of the program is to reach 15 percent in total eligible expenditures, and in 2017, the Department reached 60 percent. Of the Department's total 2017 eligible expenditures, 48 percent were identified as meeting the MBE "set-aside" criteria and 12 percent were identified as meeting the MBE "participation" criteria. Unfortunately, the purchase identified in this report was unintentionally mischaracterized as MBE "set-aside" when it should have been characterized as MBE "participation."

Department staff worked in good faith to secure bids and follow proper Department of Administrative Services' protocol in purchasing furniture to meet the Department's needs. Although the purchase met the standards under the MBE initiative, the purchase should have been designated as "participation" instead of "set-aside." As a result of this report, staff have been re-trained on the standards and criteria of applying the MBE program metrics to eligible purchases.

Thank you for the opportunity to address the recommendation made by your office in report 2017-CA00011.

Sincerely,

Jillian Froment  
Director

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November 19, 2018

Mr. Randall J. Meyer  
Ohio Inspector General  
Office of the Inspector General  
James A. Rhodes State Office Tower  
30 East Broad Street, Suite 2940  
Columbus, OH 43215-3414

Dear Inspector General Meyer:

This letter is in response to the recommendations made by your office to the Ohio Department of Administrative Services (ODAS) in File ID Number: 2017-CA00011. The Ohio Department of Administrative Services and the Equal Opportunity Division (EOD) appreciates the input it has received from the Ohio Inspector General's Office. This report confirms many of the enhancements and upgrades EOD determined were necessary in its own review of the Minority Business Enterprise (MBE) program and its business practices, such as requiring on-site visits for all initial MBE applications, which is already underway. Additionally, EOD will make other changes based on the findings in this report. EOD is committed to improving the MBE set-aside program.

The following responses detail how your recommendations are being implemented.

**Recommendation No. 1:**

Develop and conduct refresher training for all state fiscal and procurement personnel regarding the specific requirements of the MBE program, which includes stressing that MBE set-aside credit can only be earned when all three quotes are taken from only qualified MBE vendors.

**Response:**

EOD will provide state fiscal and procurement personnel training on the MBE set-aside requirements and processes. Longer term, we will develop a training course for new procurement personnel throughout state agencies.

**Recommendation No. 2:**

The ODAS Equal Opportunity Division should require state agencies provide proof of set-aside purchases before counting those purchases toward the MBE goal.

*The State of Ohio is an equal opportunity employer.*

**Response:**

DAS will require and obtain self-declarations from each agency stating they have properly followed the MBE set-aside procurement guidelines and requirements as part of the quarterly reconciliation meeting. Additionally, EOD will randomly audit a number of agencies each quarter to ensure MBE set-aside purchases are compliant.

**Recommendation No. 3:**

Implement a rule change to add Commercially Useful Function (CUF) criteria to the MBE certification requirements contained in Ohio Administrative Code 123:2-15. This language is already applicable to state EDGE (Encouraging Diversity, Growth and Equity program) certification through Ohio Administrative Code 123:2-16-15.

**Response:**

EOD is evaluating the MBE rules as a part of its rule review process and plans to incorporate a “Commercially Useful Function” requirement similar to the EDGE rules.

**Recommendation No. 4:**

Implement a more thorough review process of applications for MBE certification, including on-site reviews and stronger affiliated business reviews, to remove the potential of pass-through businesses receiving MBE certification.

**Response:**

EOD is already working to update its certification processes for the MBE and EDGE programs, in the standard operating process (SOP) manual. The updates will apply to all applicants and cover initial certification, recertification and certification under special processes (e.g., reciprocal certification with comparable programs from other political subdivisions of the state). The SOP includes detailed guidance and examples and tips to help staff make the appropriate recommendation to approve or disapprove an application.

EOD will adjust the SOP’s standard certification process to include onsite reviews for *all* applicants unless extenuating circumstances apply. Additionally, adjustments will include an onsite review component and supporting documentation requirement for the recertification process.

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**Recommendation No. 5:**

Develop and implement employment-related questions for MBE applications and require applicants to certify their employment status. Questions should include, but are not limited to:

- a. Is the minority applicant(s) currently employed outside of the minority business? If yes, full-time or part-time?
- b. If applicable, are any non-minority applicant(s) currently employed outside of the minority business? If yes, full-time or part-time?

**Response:**

EOD will make adjustments to the SOP for all certification processes to include additional information, as outlined in the recommendation, to verify employment status for all owners (minority and non-minority).

**Recommendation No. 6:**

Review the conduct of A. Joseph Business Enterprises, LTD. and Nena Bradley to determine if debarment is warranted pursuant Ohio Revised Code 125.25.

**Response:**

DAS will commence debarment proceedings against A. Joseph Business Enterprises, LTD. and Nena Bradley.

We appreciate the opportunity to detail the actions that ODAS has undertaken in response to your recommendations. Should you have any questions regarding our response, or need any additional information, please do not hesitate to contact me.

Respectfully,



Robert Blair, Director



Department of  
Agriculture

OFFICE OF  
INSPECTOR GENERAL

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November 18, 2019

Randall J. Meyer, Inspector General  
Office of the Ohio Inspector General  
30 East Broad Street, Suite 2940  
Columbus, OH 43215

Dear Inspector General Meyer,

Please accept this letter in response to the report of investigation from September 29, 2018 (2017-CA00011).

We acknowledge the following recommendation from the report:

*The Department of Agriculture should follow Ohio Department of Administrative Services policy on obtaining a minimum of three bids for purchases over \$500 and should not falsely claim purchases as Minority Business Enterprise (MBE) set-aside expenditures when those purchases do not meet set-aside criteria.*

Under the leadership of a new chief fiscal officer, our agency updated our purchasing directive policy to assist our employees in following state procurement procedures and rules, including the requirement to obtain a minimum of three bids for purchase more than \$500. Our agency is also executing targeted training to give new and current staff the tools they need to follow these important procurement and MBE standards.

Thank you for your continued commitment to ensure public trust in our state government work.

Sincerely,

Dorothy Pelanda  
Director, Ohio Department of Agriculture

