



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Small Business Regulatory Fairness Board

Small Business Regulatory Fairness Board
Follow-Up Report on Audit Findings
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NICOLE GALLOWAY, CPA
Missouri State Auditor

Honorable Erin Greitens, Governor
and
Rob Dixon, Director
Department of Economic Development
and
Members of the Small Business Regulatory Fairness Board
Jefferson City, Missouri

We have conducted follow-up work on audit report findings contained in Report No. 2016-030, *Small Business Regulatory Fairness Board* (rated as Poor), issued in May 2016, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the Board about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by Board members and Department of Economic Development officials and held discussions with them to verify the status of implementation for the recommendations. This report is a summary of the results of this follow-up work, which was substantially completed during September 2017.

Nicole R. Galloway, CPA
State Auditor

Small Business Regulatory Fairness Board

Follow-Up Report on Audit Findings

Status of Findings

Background	<p>The Small Business Regulatory Fairness Board (SBRFB) was established in 2004 by Section 536.305, RSMo, to help ensure Missouri small business owners have a voice in the development of rules and regulations by Missouri state departments and agencies. Section 536.305, RSMo, requires the Department of Economic Development to "provide staff support for the board."</p> <p>The Missouri Boards and Commissions Task Force¹ issued a report on October 31, 2017, recommending the elimination of the SBRFB.</p>
1. Board Operations	The SBRFB was not functional and did not achieve its primary objective of monitoring regulations that impact small businesses in the state.
1.1 Board not meeting objectives	During the 2 years ended June 30, 2015, the SBRFB did not achieve its statutory objectives of providing state agencies with input regarding proposed regulations, soliciting input from small businesses, and providing evaluation reports to the governor and general assembly.
Recommendation	The SBRFB develop a process to document and track proposed regulations provided to the Board, increase efforts to solicit input from small business owners, and ensure evaluation reports are completed on a regular basis.
Status	Partially Implemented <p>In June 2016, the Board members began tracking all regulations in a spreadsheet; however, as of September 2017, the spreadsheet was no longer being maintained and they are not fully reviewing the regulations. As of September 2017, the Board is utilizing a regulatory alert system to notify Board members and interested small business owners of proposed regulations. The Board provides a form on its website for small business owners to complete to submit comments on regulations. The Board issued an annual evaluation report in January 2017 to the Governor and General Assembly.</p>
1.2 Board membership	The Board had multiple vacancies for an extended period and suffered from inactive and ineffective leadership.
Recommendation	The SBRFB continue to work with the General Assembly and the Governor's office to ensure all Board vacancies are filled.
Status	Not Implemented

¹ The Task Force was created by Executive Order 17-11 to examine the purpose, effectiveness, and necessity of boards and commissions in the state.



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Status of Findings

The Board continues to have multiple vacancies, with 4 of the Board's 9 seats being vacant. The following is a list of Board members as of October 2017.

Member	Appointed By	Term Expires
Nancy Zurbuchen, Chair	Senate Majority Leader	February 1, 2019
Scott George, Vice-Chair (1)	House Majority Leader	September 15, 2013
Shelia Forrest (1) (2)	Minority Business Advocacy	September 2, 2012
Representative Alan Green	House Minority Leader	August 26, 2018
Jim Seigfreid (1)	Governor	April 30, 2012
Vacant	Governor	
Vacant	Governor	
Vacant	Governor	
Vacant	Senate Minority Leader	

(1) Members whose terms have expired continue to serve until a new member is appointed.

(2) Commission Chair.

1.3 Lack of staff support

The state budget did not include appropriations for staffing, which limited the Board's ability to function.

Recommendation

The SBRFB continue to work with the Department of Economic Development and the General Assembly to ensure the Board has funding for staff support to allow the Board to function effectively and comply with state law.

Status

Not Implemented

Funding for additional staff was not included in the Department of Economic Development's fiscal year 2018 budget request.