

# COMPLIANCE REPORT

## SBA'S FY 2019 CASH CONTRIBUTIONS AND GIFTS





# EXECUTIVE SUMMARY

## SBA's FY 2019 CASH CONTRIBUTIONS AND GIFTS

Report 20-05

February 11,  
2020

### What OIG Reviewed

This compliance report presents the results of our semiannual review of the Small Business Administration's (SBA's) cash contributions and gifts. For fiscal year 2019, Congress granted SBA the authority to accept gifts up to \$4 million. Employees may solicit and accept gifts on behalf of SBA after proper approvals, including a conflict of interest determination by SBA's Office of General Counsel. The Consolidated Appropriations Act of 2019 provides that any gift, devise, or bequest of cash accepted by the Administrator shall be held in a separate account and shall be subject to semiannual audits by the Inspector General, who shall report his findings to Congress.

The objective of the review was to determine the adequacy of SBA controls over soliciting, accepting, holding, and utilizing cash contributions and gifts. To accomplish our objective, we interviewed key SBA employees and reviewed various management and financial records available for fiscal year 2019. We also reviewed applicable laws, regulations, policies, procedures, and SBA documents, such as internal and external correspondence, financial management system reports, accounting records, and various other documents.

### What OIG Found

SBA complied with the Act and SBA regulations and policies regarding soliciting, accepting, and holding cash contributions and gifts. SBA's Office of Communications and Public Liaison obtained proper approval from the Office of General Counsel for the 2019 National Small Business Week cosponsored activity. The 24 entities that cosponsored the 2019 National Small Business Week were properly vetted through SBA program offices to ensure no business relationship existed that would cause a conflict of interest. Of the 24 entities, 12 provided cash contributions totaling \$340,000.

The Agency also accepted \$2,250 in cash gifts from nine entities to support the Wichita District Office's Emerging Leaders Program and an additional \$10,000 cash gift to support the Illinois District Office's 2020 SBA Illinois Lenders Awards event or related future events such as Small Business Week.

For these cash gifts, SBA vetted the donors and determined that a conflict of interest did not exist. The cash gifts were deposited and held in SBA's Business Assistance Trust Fund.

Further, during the scope of our review, the Agency utilized \$55,948 in gift funds, of which \$48,346 was spent in accordance with the Act and SBA regulations and policies. However, we determined that SBA did not have adequate controls over utilizing cash gifts. Specifically, SBA grant personnel did not ensure that claimed grant costs had adequate supporting documentation. As a result, we identified \$7,602 in reimbursed grant costs that were not adequately supported in accordance with SBA policy.

### OIG Recommendations

This report contains two recommendations intended to improve SBA's financial controls over monitoring grant funds.

### Agency Response

SBA management concurred with recommendation 1, and its planned actions to implement its established Agency Training Plan resolved this recommendation. Although Agency officials stated they did not concur with recommendation 2, they reviewed the incurred costs prior to the issuance of the draft report. This does not negate the issues identified at the time of our review. However, because program officials reviewed a detailed breakdown of the \$7602 per the recommendation, and determined that the costs were appropriate and reasonable, we consider this recommendation closed.



**U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, D.C. 20416**

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**Final Compliance Report**  
Report Number: 20-05

**DATE:** February 11, 2020

**TO:** Jovita Carranza  
Administrator

**FROM:** Hannibal "Mike" Ware  
Inspector General

**SUBJECT:** SBA's FY 2019 Cash Contributions and Gifts

A handwritten signature in black ink, appearing to read "H. Ware", written over the "FROM:" field.

This compliance report contains the results of our semiannual review of the Small Business Administration's (SBA's) fiscal year (FY) 2019 cash contributions and gifts. The objective of our review was to determine the adequacy of SBA controls over soliciting, accepting, holding, and utilizing cash contributions and gifts.

We previously furnished copies of the draft report and requested written comments on the recommendations. SBA management's comments are appended and were considered in finalizing the report. SBA agreed with recommendation 1, and its planned action resolves the recommendation. Based on management's comments, we consider the recommendation resolved but open, pending completion of the final action. Please provide us within 90 days your progress in addressing this recommendation. SBA management has taken action to address recommendation 2, and we consider this recommendation closed.

If you have any questions, please contact me or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

cc: Dorrice Roth, Acting Chief Financial Officer and Associate Administrator for Performance Management  
Jim Billimoria, Associate Administrator for Communications and Public Liaison  
Larry Stubblefield, Associate Administrator, Veterans Business Development  
Sean Crean, Executive Director, Executive Management, Installations and Support Services  
Christopher Pilkerton, General Counsel  
Martin Conrey, Attorney Advisor, Legislation and Appropriations  
Melissa Atwood, Acting Deputy Chief Financial Officer  
Tonia Butler, Director, Office of Internal Controls  
Michael Simmons, Attorney Advisor

## **Table of Contents**

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Introduction.....	1
SBA Gifts Authority .....	1
SBA Cosponsored Activities .....	1
Objective.....	2
Results.....	3
Controls Over Utilizing Gift Funds Need Improvement.....	3
Recommendations.....	5
Analysis of Agency Response.....	5
Summary of Action Necessary to Close the Recommendations.....	5
Conclusion .....	5
Appendix I: Objective, Scope, and Methodology.....	6
Use of Computer-Processed Data.....	6
Review of Internal Controls .....	6
Prior Coverage .....	7
Appendix II: Summary of BAT Fund Expenditures by SBA Office.....	8
Appendix III: Agency Comments .....	9

## Introduction

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### SBA Gifts Authority

The Consolidated Appropriations Acts of 2018 and 2019 (the Acts) give the Small Business Administration (SBA) the authority to accept gifts to carry out its mission.<sup>1</sup> SBA is required to follow specific federal laws and regulations regarding gifts and donations. All gifts must be used in a manner consistent with the Acts and any terms imposed by the donor. The Acts, along with SBA regulations in 13 CFR 106 subpart E and SBA's standard operating procedure (SOP), govern SBA's gift authority. The Acts authorize SBA to provide assistance to small businesses through cosponsored activities with any eligible entity. Assistance generally includes training, education, or disseminating information.

Ultimately, several offices must cooperate to approve the solicitation or acceptance of a gift to the Agency. Specifically:

1. Authorized SBA officials must sign written documentation for each gift solicitation or acceptance.
2. SBA's General Counsel or designee must determine whether there is a conflict of interest before soliciting or accepting any gift. If it is determined that there is a potential conflict of interest, that gift shall not be solicited or accepted.
3. All cash gifts donated to SBA under the authority cited in 13 CFR §106.500 must be deposited in an SBA trust account at the U.S. Department of the Treasury.<sup>2</sup>
4. Any gift, devise, or bequest of cash accepted by the Administrator shall be held in a separate account and shall be subject to semiannual audits by the Office of Inspector General (OIG), and its findings shall be reported to Congress.

SBA SOP 90 53, Gifts to the Agency, describes the legal authority, policy, and procedure for soliciting, approving, accepting, and using cash and in-kind gifts to the Agency, including the procedures for administration of the Business Assistance Trust Fund (BAT Fund).<sup>3</sup>

SBA SOP 00 18, The Management of Grants and Cooperative Agreements, provides standardized policies and procedures for the management and administration of all grants awarded by SBA.<sup>4</sup> A grant recipient must submit all requests for payment to the government officer's technical representative (GOTR) using a Standard Form (SF)-270, Request for Advance or Reimbursement, along with a Detailed Expenditures Worksheet with written narratives of expenses, and a Program Performance Report (SF-PPR) with a narrative.

### SBA Cosponsored Activities

SOP 90 75 4, Outreach Activities, stipulates that all potential cosponsors must be vetted by SBA's Office of Strategic Alliances (OSA) for the General Counsel or designee to determine whether a

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<sup>1</sup>The Consolidated Appropriations Acts of 2018 and 2019 grant SBA's Administrator the authority to solicit, accept, hold, administer, utilize, and dispose of gifts, devises, and bequests of cash, certain property, subsistence, and services.

<sup>2</sup> SBA established the Business Assistance Trust Fund as a revolving trust for which all donated funds must be deposited.

<sup>3</sup> In lieu of cash, SBA and cosponsors may contribute products and services that may be used to provide logistical or administrative support to the cosponsored activity.

<sup>4</sup> SBA SOP 00 18, The Management of Grants and Cooperative Agreements (July 5, 2016).

conflict of interest exists. Per the SOP, certain entities are ineligible to cosponsor activities with SBA. For all other entities, the General Counsel or designee must sign SBA Form 1615, Cosponsorship Approval Request, to acknowledge approval of the activity after performing a conflict of interest determination. OSA is the administrative office with the authority and responsibility to coordinate the development, implementation, and oversight of SBA's cosponsored activities. OSA receives the cosponsorship agreement from the originating office, and once satisfied the required documentation is in order, it will seek approval from the Administrator or designee.<sup>5</sup> Once the agreement is approved, the originating office will have all cosponsors sign the agreement. SBA adds new cosponsors not included on the cosponsorship agreement with a joinder agreement.

## **Objective**

Our objective was to determine whether SBA's controls over soliciting, accepting, holding, and utilizing cash contributions and gifts were adequate during FY 2019.

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<sup>5</sup> The cosponsorship agreement is an approved document that contains the parties' respective rights, duties, and responsibilities for planning and implementing the cosponsored activity.

## Results

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Our review found that SBA adequately complied with the Act and SBA regulations and policies when soliciting, accepting, and holding cash contributions and gifts. In 2019, SBA received \$340,000 in cash contributions from 12 donors to defray costs for the 2019 National Small Business Week (NSBW), which took place at SBA Headquarters in Washington, DC, Tampa, Houston, and Salt Lake City. Additionally, 12 supporting cosponsors contributed their services to promote SBA and NSBW 2019. OSA vetted and General Counsel determined that the 24 entities did not have a conflict of interest with SBA.<sup>6</sup> The Agency spent \$429,619 to support NSBW 2019.<sup>7</sup> The remaining \$89,566 was expended from cash held in a bank account and maintained by the fiscal agent on behalf of the Agency's NSBW.

The Agency also accepted a \$2,250 gift from nine donors to support the Wichita District Office's Emerging Leaders Program, and a \$10,000 gift to support the Illinois District Office's 2020 SBA Illinois Lenders Awards event or related future events, such as Small Business Week. OSA vetted the donors and General Counsel determined that a conflict of interest did not exist. The cash gifts were timely deposited and held in the BAT Fund. Further, the Agency utilized \$55,948 in gift funds to support SBA outreach activities.<sup>8</sup> (See appendix II.) Of the \$55,948, we determined that \$48,346 was spent in accordance with the Act and SBA regulations and policies. However, we identified \$7,602 in reimbursed grant costs that were not adequately supported in accordance with SBA policy.

### Controls Over Utilizing Gift Funds Need Improvement

While we found that SBA complied with the Act and SBA regulations and policies when soliciting, accepting, and holding cash contributions and gifts, improvement is needed in controls over utilizing cash gifts in accordance with federal regulations and SBA policies and procedures. Specifically, SBA did not ensure that a grantee, Veteran Entrepreneurial Training and Resource Network, Inc. (VETRN), complied with SBA grant requirements when claiming reimbursement of certain costs incurred.

In FY 2019, SBA received a \$100,000 cash gift that was used to fund a grant under its Veteran Owned Small Business Growth Pilot Program. The purpose of the grant was to provide existing veteran small business owners the opportunity to participate in a peer-to-peer training program that would equip them with the skills, resources, mentors, and network necessary to grow their small businesses. For the period of April to August 2019, VETRN submitted a \$46,777 claim seeking reimbursement of costs incurred. However, VETRN's claimed costs did not fully comply with the instructions on the A-11, Budget Detail Worksheet. Specifically, our review of the A-11 presented the exceptions shown in table 1.

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<sup>6</sup> Vetting includes the process of gathering information about a potential cosponsor to determine if it is a prohibited source.

<sup>7</sup> A \$53.00 refund was included in the cosponsorship income. The total income was \$340,053.

<sup>8</sup> This amount includes \$1,239 of the \$2,250 cash gift received by the Wichita District Office.



**Table 1: Summary of Unsupported Costs**

<b>Budget Category</b>	<b>Amount Claimed</b>	<b>Amount Unsupported</b>	<b>OIG Analysis of Costs Claimed on the A-11, Budget Detail Worksheet</b>
<b>Travel</b>	\$4,336.95	\$4,336.95	Travel expenses for project personnel were not itemized and did not include a basis for computation.
<b>Other</b>	\$3,044.65	\$3,044.65	Costs were listed by major type but did not include a basis of computation.
<b>Supplies</b>	\$220.60	\$220.60	Costs were listed by major type but did not include a basis of computation.
<b>Total</b>	<b>\$7,602.20</b>	<b>\$7,602.20</b>	

In accordance with SOP 00 18, upon receipt of a reimbursement request, the GOTR will review the SF-270, SF-PPR, and Detailed Expenditures Worksheet (including written narratives of expenses) for completeness and accuracy. The GOTR must ensure that (a) the level of activity and success of milestones warrants payment, (b) statutory expenditure requirements are being met, and (c) costs are appropriate to the budget and the Notice of Award. The GOTR must verify that the costs incurred are described in detail and must follow up with the recipient for any vague/unclear responses. After the GOTR has completed the review of the reimbursement request and supporting material, they will forward the reimbursement request along with their recommendation for approval to the appropriate Office of Grants Management Grants Management Officer or Specialist through the Office of Grants Management email payment box.

While VETRN submitted a reimbursement package, not all documents were the updated documents required by SOP 00 18, and certain claimed costs were not sufficiently detailed as required. For example, the A-11 instructions stipulate the grantee to “itemize travel expenses of project personnel by purpose (e.g., staff to training, field interview, advisory group meeting, etc.); show the basis of computation (e.g., six people to 3-day training at \$X lodging, \$X subsistence); identify the location of travel, if known; and indicate source of travel policies applied, applicant, or federal travel regulations.” The instructions further state that if multiple items are purchased under a category, the separate cost for each item must be provided.

While the instructions on the A-11 are explicit, VETRN did not provide sufficient detail with the reimbursement package. Instead, on the A-11, VETRN claimed \$4,336.95 for travel, and the narrative stipulated that the senior official’s travel expenses included mileage and tolls for traveling from May 22 to July 25, 2019, to various cities in Maine and New Hampshire to meet with various organizations for the New Hampshire VETRN program; travel to Atlantic City to attend certain activities; and travel to Washington, DC, to attend an event. We noted that VETRN’s approved budget also omitted sufficient detail regarding travel costs. For instance, the detail to support \$7,500 budgeted travel costs specified “six people to Portsmouth, NH and 2<sup>nd</sup> training location outside New England,” “travel expenses for VETRN and Interise for 1<sup>st</sup> and 2<sup>nd</sup> VETRN programs,” and the names of the six individuals. Therefore, without having sufficient detail as required on the A-11, it is unclear how the GOTR determined the allowability of travel costs claimed on the A-11.

We determined that due to the GOTR’s lack of thorough fiscal monitoring for accuracy and completeness of costs claimed on the A-11, the claim was paid in full. As a result of the control deficiency noted, we identified \$7,602 that did not include adequate supporting documentation in accordance with SBA policy.



## Recommendations

We recommend that the Administrator direct the Associate Administrator for the Office of Veterans Business Development and Executive Director in the Office of Executive Management, Installations and Support to:

1. Continue to train program office grant personnel responsible for monitoring grant recipient performance to enforce compliance with SBA's established policies and procedures for grants management and best practices for administering grant awards and monitoring performance.
2. Review \$7,602 of incurred costs, in accordance with SOP 00 18, to ensure that expenditures are properly categorized as travel, other, or supplies on the A-11, Budget Detail Worksheet.

## Analysis of Agency Response

SBA management provided formal comments, which are included in their entirety in appendix III. SBA agreed with recommendation 1, and its planned action resolves the recommendation. SBA management has taken action to address recommendation 2, and we consider this recommendation closed.

## Summary of Action Necessary to Close the Recommendations

**Recommendation 1: Resolved.** SBA management will continue to train all grant program personnel responsible for monitoring grant recipient performance to enforce compliance with SBA's established policies and procedures for grants management in accordance with the OIG accepted Agency Training Plan for Grants, under management challenge 8, recommendation 4. Management's planned completion date for training is September 30, 2020. This recommendation can be closed upon SBA providing evidence supporting that it has completed training in accordance with its plan.

**Recommendation 2: Closed.** Although Agency officials stated they did not concur with the recommendation, they reviewed the incurred costs prior to the issuance of the draft report. This does not negate the issues identified at the time of our review. However, because program officials reviewed a detailed breakdown of the \$7602 per the recommendation, and determined that the costs were appropriate and reasonable, we consider this recommendation closed.

## Conclusion

By not effectively complying with established policies and procedures to monitor grant funds, SBA is not able to provide the public the trust it needs to ensure that funds are used as intended. Also, without more robust review procedures, SBA programs are at risk of improper or inappropriate, unallowed, or even fraudulent activity going undetected.

## **Appendix I: Objective, Scope, and Methodology**

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Our objective was to determine the adequacy of SBA controls over soliciting, accepting, holding, and utilizing cash contributions and gifts during FY 2019. To accomplish our objective, we interviewed key SBA personnel and reviewed various management and financial records available for FY 2019. We also reviewed applicable laws, regulations, policies and procedures, and SBA documents, such as internal and external correspondence, financial management system reports and accounting records, and various other documents.

Our scope included an assessment of activity for cash contributions and gifts during FY 2019. To identify these transactions, we assessed an account analysis of BAT Fund activity. We filtered the data to identify obligations, deposits, and expenses during FY 2019. We tested the applicable transactions to assess whether SBA's controls were adequate. Specifically, we verified whether OSA and General Counsel cooperated to ultimately approve the acceptance of \$340,000 in cash contributions for NSBW 2019. We also assessed whether the program offices adequately collaborated with the Office of the Chief Financial Officer to obligate BAT Fund dollars prior to expenditure. We further determined whether BAT Fund dollars were spent in accordance with SBA regulations and policy.

We conducted this review in accordance with the Council of Inspectors General on Integrity and Efficiency quality standards for inspection and evaluation. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objectives.

### **Use of Computer-Processed Data**

We relied on data prepared by SBA program offices, as well as reports that were generated from the Joint Administrative and Accounting Management System (JAAMS). SBA identified the entities that donated cash and gifts to the Agency. Additionally, we reviewed JAAMS-produced documentation during our review. We believe the information is reliable for the purposes of this evaluation.

### **Review of Internal Controls**

OMB Circular No. A-123 provides guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on internal controls.<sup>9</sup> SBA SOPs provide guidance on implementing and maintaining effective internal control systems, as required by OMB. However, during this review we identified a deficiency in SBA's oversight of a grantee's financial reporting. We found that SBA did not ensure that a grantee fully complied with SBA policy regarding the use of grant funds. We made two recommendations to address this internal control deficiency.

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<sup>9</sup> OMB M-16-17, OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control (July 15, 2016).

## **Prior Coverage**

Between 2012 and 2018, OIG issued the following reports related to the Agency's gift authority.

SBA's FY 2018 and 2019 Cash Contributions and Gifts (SBA OIG Report 19-14, June 19, 2019)

Evaluation of SBA Controls Over FY 2017 and 2018 Cash Contributions and Gifts (SBA OIG Report 18-25, September 20, 2018)

Evaluation of SBA's FY 2016 and 2017 Cash Contributions and Gifts (SBA OIG Report 18-05, November 20, 2017)

Evaluation of SBA's FY 2015 and 2016 Cash Gifts (SBA OIG Report 16-21, August 23, 2016)

Evaluation of SBA's 2014 and 2015 Cash Gifts (SBA OIG Report 15-08, March 18, 2015)

Evaluation of SBA's 2013 and 2014 Cash Gifts (SBA OIG Report 14-17, August 27, 2014)

Evaluation of SBA's 2012 Cash Gifts (SBA OIG Report 13-20, September 30, 2013)

SBA Enterprisewide Controls Over Cosponsored Activities (SBA OIG Report 13-21, September 30, 2013)

Review of the SBA's Fiscal Year 2011 Cash Gifts (SBA OIG Report 12-13, March 30, 2012)

## **Appendix II: Summary of BAT Fund Expenditures by SBA Office**

<b>Program Office</b>	<b>Description/Use of Funds Source</b>	<b>Amount</b>
<b>Office of Veterans Business Development</b>	Reimbursed grant costs for SBA's Pilot Veteran Owned Small Business Growth Program	\$46,776.84
<b>Office of Communications and Public Liaison</b>	Facebook Advertising for National Small Business Week (NSBW) 2019	\$2,499.59
	DocuSign Subscriptions for NSBW 2019	\$395.00
	LinkedIn Virtual Conference NSBW 2019	\$2,213.02
	Pop-up Banners for NSBW 2019	\$878.97
	Program Guide for NSBW 2019	\$980.00
<b>Georgia District Office</b>	GTRI Event	\$561.39
	Surety Bond Event	\$404.74
<b>Wichita District Office</b>	Various activities for SBA's Emerging Leaders Program	\$1,239.08
	Total	\$ 55,948.63

**SBA'S RESPONSE TO COMPLIANCE REPORT**



February 6, 2020

**MEMORANDUM**

To: The Honorable Hannibal M. Ware, Office of Inspector General

From: Seán F. Crean, Executive Director, Office of Executive Management, Installations and Support Services  
Larry Stubblefield, Associate Administrator, Office of Veteran’s Business Entrepreneurial Development

Subj: Agency Comments to Draft Report “SBA’s FY2019 Cash Contributions and Gifts” (Project Number 19016)

Thank you for the opportunity to respond to the Draft Report entitled “SBA’s FY2019 Cash Contributions and Gifts” (Project Number 19016). The objective of the review was to determine the adequacy of SBA controls over soliciting, accepting, holding, and utilizing cash contributions and gifts. The respective Offices of Executive Management, Installations and Support Services (OEMISS) and Veterans Business Development (OVBD) concur with the first of the OIG’s recommendations as modified. However, we do not concur with the second of those recommendations.

**Recommendation 1:** Continue to train program office grant personnel responsible for monitoring grant recipient performance to enforce compliance with SBA’s established policies and procedures for grants management and best practices for administering grant awards and monitoring performance.

Explanation of Proposed Action: Concur. The Associate Administrator for the Office of Veterans Business Development and Executive Director for the Office of Executive Management, Installations and Support Services will continue to train all grant program personnel responsible for monitoring grant recipient performance to enforce compliance with SBA’s established policies and procedures for grants management IAW the OIG accepted Agency Training Plan for Grants under Management Challenge #8, recommendation #4.

Projected Completion Date: September 30, 2020

**Recommendation 2:** Review \$7,602 of incurred costs, in accordance with SOP 00 18, to ensure that expenditures are properly categorized as travel, other, or supplies on the A-11, Budget Detail Worksheet.

Explanation of Proposed Action: Do not concur. The recommended review has already occurred. SBA reviewed a detailed breakdown of the \$7602 in costs and determined that the costs were appropriate and reasonable. SBA’s determination was communicated to OIG.

As previously advised, SBA recently revised SOP 00-18-01. Under the revised SOP, and consistent with OMB guidance, the A-11 Budget Detail Worksheet is no longer a required document.

Projected Completion Date: Completed