

EVALUATION REPORT

SBA's 2014 and 2015 Cash Gifts





EXECUTIVE SUMMARY

Report No. 15-08
March 18, 2015

SBA's 2014 and 2015 Cash Gifts

What OIG Reviewed

This report presents the results of our evaluation of the Small Business Administration's (SBA) cash gifts. SBA has gift authority under sections 4(g), 8(b)(1)(G), 5(b)(9) and 7(k)(2) of the Small Business Act (the Act). 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. Section 4(g)(2) of the Act 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 or her findings to Congress.

The objective of the evaluation was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and utilization of cash gifts. To accomplish our objective, we interviewed key SBA employees, and reviewed various management and financial records available for fiscal years 2014 and 2015. We also reviewed public records, applicable laws, regulations, policies, and procedures, and SBA documents such as internal and external correspondence, financial management system reports, accounting records, and various other documents.

What OIG Found

We determined that the Colorado District Office obtained proper approvals to solicit and accept gifts for the 2014 Small Business awards event. The donor was properly vetted through SBA program offices to ensure no business relationships existed that would cause a conflict of interest. SBA's Office of General Counsel confirmed that no conflict of interest existed between SBA and this entity. We also determined that SBA adequately complied with the Act regarding the holding of \$16,413.69 and utilization of \$10,268.49 in cash gifts. SBA recorded the cash donations in the Business Assistance Trust Fund and made the funds available to SBA program offices for expenditure. We further determined that those funds were used to pay for valid

expenses in accordance with the Act.

We have noted since 2011 that SBA had not had a standard operating procedure (SOP) for gifts since 2004. We recognize that in July 2014, the Offices of Chief Financial Officer and Communications and Public Liaison issued SOP 90 53, *Gifts to the Agency*, which describes the legal authority, policy, and procedures 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.

Overall, SBA complied with the Act regarding the solicitation, acceptance, holding, and utilization of cash gifts. This report contains no recommendations; therefore, no further action or response by SBA is required.



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

Final Report Transmittal
Report Number: 15-08

DATE: March 18, 2015

TO: Tami Perriello, Chief Financial Officer

Iris Argueta, Acting Assistant Administrator for Communications and Public Liaison

Melvin Williams, General Counsel

SUBJECT: *SBA's 2014 and 2015 Cash Gifts*

This report represents the results of our evaluation of Small Business Administration's (SBA) *2014 and 2015 Cash Gifts*. The objective of our review was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and utilization of cash gifts.

We appreciate the courtesies and cooperation of the Offices of the Chief Financial Officer, General Counsel, and Communications and Public Liaison during this evaluation. If you have any questions, please contact me at (202) 205-7390 or Jeffrey R. Brindle, Director, Information Technology and Financial Management at (202) 205-7490.

/s/
Troy M. Meyer
Assistant Inspector General for Auditing

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Introduction

The Small Business Administration (SBA) has gift acceptance authority under sections 4(g), 8(b)(1)(G), 5(b)(9) and 7(k)(2) of the Small Business Act (the Act). SBA is required to follow specific Federal laws and regulations regarding gifts and donations. The Act, along with SBA regulations in 13 C.F.R. 106 Subpart E, governs SBA's gift authority. The Act, Public Law 85-536, as amended, gives 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 to carry-out its mission. The Agency may solicit and accept these gifts in support of cosponsored activities, SBA-sponsored activities, general SBA marketing and outreach activities, and other activities that further the mission of the Agency as determined by the Administrator. All gifts must be used in a manner consistent with the Act and any terms imposed by the donor.

Ultimately, several offices must cooperate to approve the solicitation or acceptance of a gift to the Agency. In accordance with 13 C.F.R. 106 Subpart E, *Gifts*: “(1) There must be written documentation of each gift solicitation and/or acceptance signed by an authorized SBA official; (2) Any gift solicited and/or accepted must undergo a determination, prior to solicitation of the gift or prior to acceptance of the gift if unsolicited, of whether a conflict of interest exists between the donor. The General Counsel, or designee, must make the final conflict of interest determination. No gift shall be solicited and/or accepted under the Act if such solicitation and/or acceptance would, in the determination of the General Counsel (or designee), create a conflict of interest; and (3) All cash gifts donated to SBA under the authority cited in 13 C.F.R. §106.500 must be deposited in an SBA trust account at the U.S. Department of the Treasury.¹ Section 4(g)(2) of the Act 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 or her findings to Congress.

Cash Gifts to Support Cosponsored Activities

Section 4(h) of the Act authorizes SBA to provide assistance for the benefit of small businesses through cosponsored activities with any eligible entity. Assistance generally includes training, education, or dissemination of information.

At the beginning of fiscal year 2014, the Business Assistance Trust (BAT) Fund had a starting balance of \$136,000, with \$40,010 deposits, expenses of \$13,717.41 and a \$162,000 balance at the end of the fiscal year. Also, in November 2014, SBA recorded a \$12,913.69 deposit to the BAT Fund.

Objective

Our objective was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and utilization of cash gifts. To accomplish our objective, we interviewed key SBA employees and reviewed various management and financial records available for fiscal years 2014 and 2015. We also reviewed public records, 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.

¹ SBA established the Business Assistance Trust Fund as a revolving trust for which all donated funds must be deposited.

Results and Conclusion

Our evaluation found that SBA complied with the Act regarding the solicitation and acceptance of cash gifts. The originating office and responsible program official solicited a \$3,500 gift from Pikes Peak Regional Development Corporation. The gift would be used to defray the costs of refreshments and audio visual equipment at the 2014 Colorado district office Small Business Awards event. The Office of Strategic Alliance vetted the donor, and General Counsel determined that a conflict of interest did not exist between the donor and SBA.²

We also determined that SBA complied with the Act when holding and utilizing cash gifts. SBA officials recorded \$12,913.69 that remained from the 2010 Mid Atlantic Lenders Conference. None of those funds were expended at the time of this evaluation. SBA officials timely recorded \$16,413.69 in the BAT Fund. Further, the Office of the Chief Financial Officer (OCFO) executed purchase orders and blanket purchase agreements before program offices spent the funds. During the period of review, SBA officials spent \$10,268.49 of existing BAT Funds to support certain Agency outreach activities. We concluded the expenses were acceptable uses of BAT Funds, in accordance with the Act and SBA policy.

² Gathering information about a potential cosponsor in order for the General Counsel or designee to make a conflict of interest determination.

Appendix I: Scope and Methodology

This report presents the results of our evaluation of SBA's 2014 and 2015 cash gifts. Our objective was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and utilization of cash gifts.

To perform the evaluation, our scope included an assessment of activity for cash gifts that occurred during fiscal years 2014 and 2015. To achieve the objective, we obtained an Excel file of BAT Fund activity from OCFO's Denver Finance Center. The Excel file included three worksheets: collections totaling \$16,413.69, open obligations totaling \$17,734.84, and cumulative expenditures totaling \$464,761.38. We filtered the data in each of the worksheets to identify transactions that occurred during fiscal years 2014 and 2015.

To meet our objective, we tested the applicable transactions in each worksheet to assess the effectiveness of SBA controls over our objective. Specifically, we verified whether the Colorado district office, Office of Strategic Alliance, and General Counsel cooperated to ultimately approve the solicitation and acceptance of a \$3,500 gift to the Agency. We also assessed whether the program offices adequately collaborated with OCFO to obligate BAT Funds prior to expenditure. We further determined whether BAT Funds were spent in accordance with the Act and SBA policy. We did not find any significant concerns with the effectiveness of controls regarding the areas we tested.

We conducted this evaluation between February and March 2015 and in accordance with the Council of Inspectors General on Integrity and Efficiency (CIGIE) 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 the 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 who donated cash gifts. Additionally, we reviewed JAAMS-produced documentation during our evaluation. We believe the information is reliable for the purposes of this evaluation.

Review of Internal Controls

The Office of Management and Budget (OMB) Circular 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.³

SBA's internal control systems' standard operating procedure provides guidance on the implementation and maintenance of effective systems of internal control as required by OMB. According to OMB, effective systems of internal control improve the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal controls.

³ OMB Circular A-123, *Management's Responsibility for Internal Control* (December 21, 2004).

Prior Coverage

Small Business Administration-Office of Inspector General Reports

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

Evaluation Report 13-20, *Evaluation of SBA's 2012 Cash Gifts* (September 26, 2013).

Audit Report 13-21, *SBA Enterprise-wide Controls over Cosponsored Activities* (September 30, 2013).

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

Nature of Limited or Omitted Information

No information was omitted due to confidentiality or sensitivity, nor were there limitations to information during this evaluation.