



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

Final Advisory Memorandum
Report Number 18-15

DATE: March 20, 2018

TO: Linda E. McMahon
Administrator

FROM: Hannibal "Mike" Ware
Acting Inspector General

A handwritten signature in black ink, appearing to be "H. Ware", written over a light blue circular stamp.

SUBJECT: *Improvement Needed in the Accuracy of SBA Data Reported on USASpending.gov*

This advisory memorandum serves to elevate issues that KPMG LLP (KPMG) identified during their attestation examination related to the timeliness, completeness, and accuracy of the U.S. Small Business Administration's (SBA's) fiscal year (FY) 2017 second quarter submission under the Digital Accountability and Transparency Act of 2014 (DATA Act). In its report, KPMG reported that there is a material weakness related to SBA's controls over the accuracy of data reported on USASpending.gov.¹ To facilitate control improvements, as well as ensure the exceptions (or errors) identified in KPMG's report are remediated, OIG is issuing this advisory memorandum. To remediate identified control issues we initiated 14 recommendations.

Background

Under the DATA Act, the SBA is required to report financial and spending information in accordance with Governmentwide financial data standards developed by OMB and the U.S. Department of the Treasury (Treasury). The agency DATA Act Senior Accountable Officials (SAOs) or their designees must provide reasonable assurance that the data files submitted are valid and reliable as stated in OMB Management Procedures Memorandum No. 2016-03, *Additional Guidance for DATA Act Implementation: Implementing Data-Centric Approach for Reporting Federal Spending Information*. SBA's Chief Financial Officer has been designated as the Agency SAO.

The DATA Act requires all agencies to use these data definition standards for the collection and reporting of agency-level and award-level data by 2 years after their issuance. Implementation efforts shall include agency efforts to modify existing agency regulatory and non-regulatory policies (if required), business processes, and as needed, systems to support agency-level financial reporting and new data quality requirement under this memorandum. Agencies shall modify policies, internal business processes, and/or information technology, as needed, to ensure consistent publication of agency-level and award-level reporting under the DATA Act and Federal Funding Accountability and Transparency Act on USASpending.gov (or its successor site).

The Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires timely corrective actions when a

¹ Report 18-02, *Independent Accountants' Report on SBA's Compliance with DATA Act Reporting* (November 8, 2017).

material weakness is identified in internal controls. Previous Office of Inspector General (OIG) audits reported that improvement is needed for SBA’s data quality on public websites such as USASpending.gov (see Appendix I). Consequently, immediate management attention is required to correct identified errors and implement appropriate internal controls to prevent future errors.

Results

During its attestation examination, KPMG reported a 32 percent error rate regarding data accuracy. Specifically, in a sample of 375 transactions, KPMG identified 121 samples related to procurement, grants, and Disaster Business Loans, where at least one data element of the sampled transaction did not accurately reflect the supporting documentation or authoritative source. For the standardized data elements that KPMG tested, the following table shows the program type, data elements having errors, and the responsible SBA officials. Appendix II to this memorandum includes the 121 exceptions that KPMG noted during its examination of SBA’s financial and award transactions.

Program Type	Data Element(s) With Errors	Responsible SBA Officials(s)
Procurement	Object class, action date, action type, period of performance current end date, period of performance potential end date, period of performance start date, primary place of performance address, primary place of performance congressional district, current total value of award, potential total value of award, funding office code, and funding office name	Director, Denver Finance Center
Grants	Action date, action type, award type, period of performance start date, primary place of performance address, primary place of performance congressional district, primary place of performance country code, non-Federal funding amount	Executive Director, Office of Executive Management, Installations, and Support Services and Associate Administrators for Entrepreneurial Development
Disaster Business Loans	Action date, business type, legal entity congressional district	Associate Administrator for Disaster Assistance

KPMG determined that these errors occurred because SBA did not (1) properly design and implement control activities over the input of data into relevant source systems, (2) adequately train personnel on this process, or (3) perform monitoring activities to identify the Treasury broker extracting data from the wrong Federal Procurement Data System fields and populating the incorrect information in USASpending.gov.

We previously furnished copies of KPMG’s report to SBA management; however, the errors identified by KPMG did not specify the program officials accountable for corrective action. To further identify the responsible SBA officials, we analyzed the errors by program area and confirmed the transaction source with Office of the Chief Financial Officer’s systems and data oversight officials. The SBA official for each sample type has responsibility for remediating the exceptions noted. Due to the volume of KPMG’s spreadsheet that denotes the specific exceptions, we provided an electronic copy of the spreadsheet to each responsible SBA official. This spreadsheet included the data elements that KPMG tested and were standardized by the DATA Act.

In addition to the above remediation actions, we are making the following recommendations to improve the accuracy of SBA's financial and spending data reported on USASpending.gov.

Analysis of Agency Response

SBA management did not provide a consolidated written response to a draft report, but SBA program officials provided verbal feedback at an exit conference and provided separate, individual written responses. SBA management fully agreed with 13 recommendations and partially agreed with 1 recommendation. In all instances we found that the planned corrective actions resolved the recommendations. These responses are summarized below.

Recommendations and Summary of Actions Necessary to Close Them

The following provides the recommendation and the necessary action(s) to either resolve or close the recommendation.

We recommend that the Chief Financial Officer

1. Work collaboratively with the Chief Data Officer to update and implement the agency-wide DATA Quality Plan to assure quality and integrity of SBA spending information. The plan should include all current Federal transparency reporting requirements and be developed using an approach such as the five principles in the U.S. Government Accountability Office's GAO-14-704G, *Standards for Internal Control in the Federal Government*. The plan should include periodic or routine monitoring of data quality.

Resolved. SBA management concurred with our recommendation and plans to update and implement a data quality plan for spending and award data transmitted under the DATA Act in accordance with U.S. Government Accountability Office's GAO-14-704G, *Standards for Internal Control in the Federal Government* by December 31, 2018. This recommendation can be closed when SBA provides evidence that the plan has been updated and implemented.

2. Work collaboratively with the Director of Denver Finance Center to provide detailed guidance to contract specialists and officers who are responsible for entering information into SBA source systems. This guidance should include the definition of the standardized data elements and underlying categories to ensure the correct type of data value is selected when award information is input into the systems.

Resolved. SBA management concurred with our recommendation and plans to train and provide detailed guidance to contract specialists and officers who are responsible for entering information in SBA source systems by September 30, 2018. This recommendation can be closed when SBA provides evidence that the training has been completed.

3. Monitor the procurement internal control system and evaluate the accuracy of the data.

Resolved. SBA management concurred with our recommendation and plans to design and implement control activities over the input of DATA Act information into SBA's procurement system by September 30, 2018. This recommendation can be closed when SBA provides evidence that the control activities have been designed and implemented.

4. Continue to timely review and address the U.S. Department of the Treasury's broker validation warnings/errors and perform the necessary corrective actions.

Closed. SBA management concurred with our recommendation and will continue to perform the necessary corrective actions to timely address broker validation warnings/errors. Management provided evidence that it has implemented a process for reviewing and addressing the broker validation warnings/errors. Consequently, we consider this recommendation to be closed.

5. Work collaboratively with the Director of Denver Finance Center to ensure procurement errors identified in DATA Act audit are corrected in the source system.

Resolved. SBA management partially concurred with our recommendation and plans to make corrections to data in SBA's source system, where appropriate by June 30, 2018. This recommendation can be closed when SBA provides the evidence that the errors identified in DATA Act audit have been appropriately corrected.

We recommend that the Associate Administrator for Entrepreneurial Development

6. Provide detailed guidance to grant specialists and officers who are responsible for entering information into SBA source systems. This guidance should include the definition of the standardized data elements and underlying categories to ensure the correct type of data value is selected when award information is input into the systems.

Resolved. SBA management concurred with our recommendation and plans to update its existing standard operating procedures to include detailed guidance for definitions and categories that were standardized by the DATA Act. Once updated, staff will be trained to ensure the correct data type is selected when grant awards are input in SBA's source system. Management plans to implement these processes by September 1, 2018. This recommendation can be closed when SBA provides the updated standard operating procedures and evidence that the training has been completed.

7. Monitor the grants internal control system and evaluate the accuracy of the data.

Resolved. SBA management concurred with our recommendation and plans to develop an internal control plan to ensure the accuracy of data on USASpending.gov by December 31, 2018. Management will monitor the implementation of the plan. This recommendation can be closed when SBA provides the plan that includes specific activities for monitoring the grants internal control system to assess the accuracy of the data.

8. Ensure that the errors identified by KPMG for the Women's Business Center and Small Business Development Center (SBDC) grants are corrected in the source system.

Resolved. SBA management concurred with our recommendation and plans to work with the Office of the Chief Financial Officer to correct the errors in SBA's source system by September 30, 2018. This recommendation can be closed when SBA provides evidence that the errors have been corrected in the source system.

We recommend that the Executive Director for the Office of Executive Management, Installations, and Support Services

9. Provide detailed guidance to grant specialists and officers who are responsible for entering information into SBA source systems. This guidance should include the definition of the standardized data elements and underlying categories to ensure the correct type of data value is selected when award information is input into the systems.

Resolved. SBA management concurred with our recommendation and plans to revise its standard operating policies and procedures to clearly define and ensure the proper award selection and use of a Federal assistance (grant) tool by October 1, 2018. The revisions to the standard operating policies and procedures will assist program offices with selecting the appropriate funding type when announcing a funding opportunity. This recommendation can be closed when SBA provides evidence that the policies and procedures have been revised and implemented.

10. Monitor the grants internal control system and evaluate the accuracy of the data.

Resolved. SBA management concurred with our recommendation. By October 1, 2018, management plans to develop an internal training session for grants management staff to ensure that all staff is in compliance with the standard operating procedures on monitoring, oversight, and the appropriate methods to monitor federal assistance awards. In addition, management will develop a second tier approval process to monitor the internal control system and evaluate the accuracy of the data. This recommendation can be closed when SBA provides evidence that they have developed and implemented the internal training for grants staff and the controls to monitor the accuracy of the data for grants management.

11. Ensure that errors identified in Appendix II for SBA's State Trade and Export Promotion (STEP), 7J, SCORE, and Veteran's grants are corrected in the source system.

Resolved. SBA management concurred with our recommendation and plans to implement a management review process that ensures all grants, within the mentioned program offices, have accurate data elements inputted into the source system prior to issuance of an award and will make appropriate corrections to the errors identified in Appendix II by December 1, 2018. This recommendation can be closed when SBA provides evidence that the noted errors have been corrected in the source system.

We recommend that the Associate Administrator for the Office of Disaster Assistance

12. Provide detailed guidance to loan specialists and officers who are responsible for entering information into SBA's source system. This guidance should include the definition of the standardized data elements and underlying categories to ensure the correct type of data value is selected when award information is input into the systems.

Resolved. SBA management concurred with our recommendation and plans to develop more detailed guidance to incorporate into training for loan specialists and staff who are responsible for entering information in SBA's source system by June 30, 2018. This recommendation can be closed when SBA provides evidence that the training has been developed and implemented.

13. Monitor the internal control system and evaluate accuracy of the data.

Resolved. SBA management concurred with our recommendation and plans to incorporate monitoring of the internal control system and evaluating accuracy of the data as part of the Quality Assurance Reviews conducted by the Quality Control Department by June 30, 2018. This recommendation can be closed when SBA provides evidence that this process has been implemented.

14. Perform feasibility study relating to capture of business size information in source system per DATA Act reporting requirements.

Resolved. SBA management concurred with our recommendation and conducted a feasibility study on February 14, 2018. As a result of the study, management plans to complete a systems change by June 30, 2018, to ensure that a size calculation is completed on all approved business loan applications. This recommendation can be closed when SBA provides evidence that the system update is complete and has been implemented.

We appreciate the courtesies and cooperation extended to us during this assignment. If you have any questions, please contact me at (202) 205-6586 or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6616.

cc: Allie Leslie, Deputy Administrator
Pradeep Belur, Chief of Staff
Tim Gribben, Chief Financial Officer and Associate Administrator
for Performance Management
Sean Crean, Executive Director for the Office of Executive Management, Installations, and
Support Services/Office of Grants Management
James Rivera, Associate Administrator for Disaster Assistance
Allen Gutierrez, Associate Administrator for Entrepreneurial Development
Melissa Atwood, Director of the Denver Finance Center
Nate Reboja, Director of Financial Systems
Emily Knickerbocker, Chief Data Officer
Christopher Pilkerton, General Counsel
Martin Conrey, Attorney Advisor
LaNae Twite, Director, Office of Internal Controls
Michael Simmons, Attorney Advisor

Appendix I: Prior Coverage

OIG has issued the following reports that relate to data quality on public websites, such as USASpending.gov and the Federal Procurement Data System-Next Generation.

Report 17-11, *Review of SBA's State Trade and Export Promotion Grant Program* (May 4, 2017).

Report ROM 11-04, *Quality of SBA's Recovery Act Data on Public Websites* (March 11, 2011).

Report ROM 10-14, *Memorandum on the Accuracy of Recovery Act Contract Award Obligations Reported to the Federal Procurement Database System - Next Generation and Recovery.gov* (April 15, 2010).

Report 10-08, *Audit of SBA's Efforts to Improve the Quality of Acquisition Data in the Federal Procurement Data System* (February 26, 2010).

Report ROM 10-01, *SBA Readiness For Reviewing Recipient Reports on the Use of Recovery Act Funds* (October 30, 2009).

Appendix II: Accuracy Errors by Sample Type

Count	KPMG Sample #	URI/FAIN/PIID	Amount	Sample Type
1	6	9366555009	(288,400.00)	Disaster Business Loan
2	10	9372925009	(53,916.38)	Disaster Business Loan
3	23	9234315005	(67,341.40)	Disaster Business Loan
4	32	9233785004	(104,718.04)	Disaster Business Loan
5	38	8652295010	(209,090.00)	Disaster Business Loan
6	39	9238385001	(288,400.00)	Disaster Business Loan
7	53	8722795003	(53,195.38)	Disaster Business Loan
8	69	9267255007	(249,033.40)	Disaster Business Loan
9	81	9074325008	8,796.20	Disaster Business Loan
10	90	9159645009	1,297.80	Disaster Business Loan
11	125	9243015000	(3,417.54)	Disaster Business Loan
12	136	9324595001	(31,147.20)	Disaster Business Loan
13	137	9159925010	8,464.54	Disaster Business Loan
14	139	9054145005	(7,815.64)	Disaster Business Loan
15	153	8927825003	19,726.56	Disaster Business Loan
16	156	9289075002	(7,195.58)	Disaster Business Loan
17	168	9239675007	(97,349.42)	Disaster Business Loan
18	192	9318315002	(27,830.60)	Disaster Business Loan
19	193	9046905008	219,717.54	Disaster Business Loan
20	197	9335155004	(5,479.60)	Disaster Business Loan
21	210	9298245007	(113,341.20)	Disaster Business Loan
22	219	9229275001	(13,598.06)	Disaster Business Loan
23	225	9292765009	(26,013.68)	Disaster Business Loan
24	237	8610795009	(6,413.00)	Disaster Business Loan
25	264	9206745008	(82,208.42)	Disaster Business Loan
26	266	9083445000	(14,420.00)	Disaster Business Loan
27	293	9349795009	(66,418.52)	Disaster Business Loan
28	297	8896585010	24,441.90	Disaster Business Loan
29	334	9264945007	(5,220.04)	Disaster Business Loan
30	345	8849335002	6,618.70	Disaster Business Loan
31	349	9312665001	(37,650.62)	Disaster Business Loan
32	366	9340255004	(288,400.00)	Disaster Business Loan
33	367	8890905009	23,147.30	Disaster Business Loan
34	368	9272925001	(234,714.34)	Disaster Business Loan
35	369	9242895004	(20,346.62)	Disaster Business Loan
36	384	9023875009	100,593.92	Disaster Business Loan
37	41	SBAHQ14C0005	(195,995.03)	Procurement
38	87	SBA0043	(54,711.36)	Procurement
39	88	SBA0009	(5,412.84)	Procurement
40	107	SBAHQ15F0182	(8,605.44)	Procurement
41	118	SBAHQ15M0166	(10,080.00)	Procurement
42	131	SBA0003	(2,890.00)	Procurement
43	148	SBAHQ16M0035	(473,794.65)	Procurement
44	207	SBAHQ16F0027	(250,772.33)	Procurement
45	226	SBA0005	(8,915.60)	Procurement

Count	KPMG Sample #	URI/FAIN/PIID	Amount	Sample Type
46	227	SBAHQ16C0031	(84,419.52)	Procurement
47	232	SBA0014	(8,819.60)	Procurement
48	251	SBAHQ17M0021	(30,515.00)	Procurement
49	253	SBA0032	(363,115.00)	Procurement
50	256	SBAHQ16C0028	(590,443.85)	Procurement
51	271	SBAHQ17F0017	(278,318.01)	Procurement
52	272	SBAHQ17C0006	(73,935.38)	Procurement
53	279	SBAHQ17F0025	(88,312.00)	Procurement
54	325	SBA0002	(235,058.06)	Procurement
55	330	SBAHQ15F0109	(2,158,209.00)	Procurement
56	365	SBA0001	(164,440.57)	Procurement
57	46	SBAHQ14W0034	131,250.00	Women's Business Center Grant
58	202	SBAHQ15IT0021	302,713.25	STEP Grant
59	287	SBAHQ15IT0006	144,970.44	STEP Grant
60	372	SBAHQ15IT0013	5,330.50	STEP Grant
61	282	SBAHQ16IT0036	155,736.00	STEP Grant
62	322	SBAHQ15J0009	55,709.00	7J Grant
63	231	SBAHQ17J0002	(150,000.00)	7J Grant
64	181	SBAHQ17S0001	(4,020,143.00)	SCORE Grant
56	206	SBAHQ17V0001	(237,532.00)	Veteran's Grant
66	145	SBAHQ17B0001	(887,316.00)	SBDC Grant
67	250	SBAHQ17B0002	(1,138,292.00)	SBDC Grant
68	244	SBAHQ17B0003	(251,406.00)	SBDC Grant
69	247	SBAHQ17B0004	(251,406.00)	SBDC Grant
70	359	SBAHQ17B0005	(402,120.00)	SBDC Grant
71	103	SBAHQ17B0006	(412,833.00)	SBDC Grant
72	144	SBAHQ17B0007	(811,602.00)	SBDC Grant
73	201	SBAHQ17B0008	(2,626,065.00)	SBDC Grant
74	362	SBAHQ17B0009	(484,351.00)	SBDC Grant
75	13	SBAHQ17B0010	(588,059.00)	SBDC Grant
76	246	SBAHQ17B0011	(647,736.00)	SBDC Grant
77	147	SBAHQ17B0012	(782,415.00)	SBDC Grant
78	102	SBAHQ17B0013	(614,349.00)	SBDC Grant
79	245	SBAHQ17B0014	(960,884.00)	SBDC Grant
80	304	SBAHQ17B0015	(283,318.00)	SBDC Grant
81	360	SBAHQ17B0016	(1,025,161.00)	SBDC Grant
82	62	SBAHQ17B0019	(251,406.00)	SBDC Grant
83	248	SBAHQ17B0021	(1,563,394.00)	SBDC Grant
84	205	SBAHQ17B0022	(251,406.00)	SBDC Grant
85	361	SBAHQ17B0023	(251,406.00)	SBDC Grant
86	143	SBAHQ17B0024	(504,908.00)	SBDC Grant
87	86	SBAHQ17B0026	(723,972.00)	SBDC Grant
88	223	SBAHQ17B0027	(330,263.00)	SBDC Grant
89	269	SBAHQ17B0029	(569,617.00)	SBDC Grant
90	283	SBAHQ17B0030	(210,145.00)	SBDC Grant
91	324	SBAHQ17B0031	(233,227.00)	SBDC Grant
92	74	SBAHQ17B0033	(433,915.00)	SBDC Grant
93	270	SBAHQ17B0034	(305,870.00)	SBDC Grant

Count	KPMG Sample #	URI/FAIN/PIID	Amount	Sample Type
94	184	SBAHQ17B0035	(210,145.00)	SBDC Grant
95	344	SBAHQ17B0036	(210,145.00)	SBDC Grant
96	221	SBAHQ17B0038	(210,145.00)	SBDC Grant
97	166	SBAHQ17B0039	(995,788.00)	SBDC Grant
98	268	SBAHQ17B0040	(644,119.00)	SBDC Grant
99	48	SBAHQ17B0041	(718,773.00)	SBDC Grant
100	342	SBAHQ17B0043	(600,733.00)	SBDC Grant
101	320	SBAHQ17B0044	(210,145.00)	SBDC Grant
102	321	SBAHQ17B0045	(1,453,223.00)	SBDC Grant
103	385	SBAHQ17B0047	(210,145.00)	SBDC Grant
104	285	SBAHQ17B0049	(323,150.00)	SBDC Grant
105	288	SBAHQ17B0050	(424,885.00)	SBDC Grant
106	133	SBAHQ17B0052	(1,119,441.00)	SBDC Grant
107	286	SBAHQ17B0053	(734,368.00)	SBDC Grant
108	284	SBAHQ17B0054	(210,145.00)	SBDC Grant
109	222	SBAHQ17B0055	(470,469.00)	SBDC Grant
110	1	SBAHQ17B0056	(353,169.00)	SBDC Grant
111	73	SBAHQ17B0057	(1,438,697.00)	SBDC Grant
112	142	SBAHQ17B0058	(210,145.00)	SBDC Grant
113	130	SBAHQ17B0059	(761,635.00)	SBDC Grant
114	323	SBAHQ17B0060	(1,080,008.00)	SBDC Grant
115	63	SBAHQ17B0061	(906,212.00)	SBDC Grant
116	220	SBAHQ17B0062	(948,534.00)	SBDC Grant
117	305	SBAHQ17B0064	(492,833.00)	SBDC Grant
118	306	SBAHQ17B0065	(730,388.00)	SBDC Grant
119	203	SBAHQ17B0066	(313,043.00)	SBDC Grant
120	105	SBAHQ17B0068	(2,129,474.00)	SBDC Grant
121	249	SBAHQ17B0069	(1,224,065.00)	SBDC Grant