

# AUDIT REPORT

## THE SMALL BUSINESS ADMINISTRATION'S BOOTS TO BUSINESS PROGRAM





# EXECUTIVE SUMMARY

## THE SMALL BUSINESS ADMINISTRATION'S BOOTS TO BUSINESS PROGRAM

Report No.  
18-20

July 19, 2018

### What OIG Reviewed

The Boots to Business (B2B) program is an entrepreneurial training program offered by the Small Business Administration (SBA) as part of the Department of Defense's Transition Assistance Program. The purpose of the B2B program is to provide transitioning service members interested in exploring business ownership or other self-employment opportunities with the information to develop business plans and to connect service members to SBA resource partners and start-up capital.

Our audit objectives were to determine whether SBA's oversight of the B2B program ensured (1) efficiency of program operations, (2) that the program achieved its goals and objectives, and (3) that recipients complied with the agreement requirements.

To answer our objectives, we judgmentally selected three cooperative agreement recipients (recipients), with awards totaling \$6.7 million. We interviewed SBA program officials and recipients, conducted site visits to the Institute for Veterans and Military Families at Syracuse University in Syracuse, NY; SBA district offices in Washington, DC, and Syracuse, NY; and the Community Business Partnership Veteran Business Outreach Center in Springfield, VA. Additionally, we met with Department of Defense officials from the Defense Personnel and Family Support Center and the Transition to Veterans Program Office, who are part of the interagency workgroup for administering the Department of Defense Transition Assistance Program. We reviewed documentation and attended B2B 2-day courses at Fort Meade, MD; Ramstein Air Base, Germany; and U.S. Army Garrison Stuttgart, Germany. We also conducted phone interviews with SBA district office personnel in Maryland and Arizona.

### What OIG Found

Since fully implementing the B2B program in February 2014, SBA made improvements to the program, such as reducing program costs and implementing a new customer relationship management system. However, SBA could make further improvements to better reach the target

population and increase participation in the program. For FYs 2015 and 2016, we found that SBA did not meet its established performance goals for the number of participants or the graduation rate from the 8-week course. We also found SBA did not ensure that recipients measured and reported performance outcomes. Furthermore, one of the recipients we reviewed did not report its B2B program costs separately in its annual budget and financial reporting. Consequently, SBA could not determine what the recipient spent on the B2B program or assess the validity of the reimbursement requests. Because the recipient did not separate its B2B expenditures, we consider \$419,912 of the recipient's cooperative agreement award as unsupported questioned costs.

### OIG Recommendations

We made seven recommendations to enhance the overall management and effectiveness of the B2B program.

### Agency Response

SBA management concurred with six of the seven recommendations, and its planned actions resolved three of our seven recommendations. SBA planned to increase B2B class registration limits and use strategic marketing at installations to increase class attendance. Additionally, SBA established outcome-based measurements to assess whether the program met its intended goals and implemented procedures to improve the accuracy of the performance data.

We did not reach resolution on four recommendations. SBA agreed to implement improvements to ensure that B2B program marketing and outreach efforts are effectively carried out, improve the cooperative agreement performance reporting requirements, and review a recipient's reimbursement requests to determine the amount of funds spent on the B2B program. However, SBA's proposed actions did not fully address the recommendations. Further, SBA did not agree to track B2B program expenditures separate from its other veteran business outreach programs.




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

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**Final Report Transmittal**  
Report Number: 18-20

**DATE:** July 19, 2018

**TO:** Linda E. McMahon  
Administrator

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

**SUBJECT:** SBA's Boots to Business Program

This report presents the results of our audit of the Small Business Administration's (SBA's) Boots to Business Program. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on the draft of this report when preparing the final report. Management agreed to address six out of seven recommendations identified in the report; however, five recommendations are pending resolution.

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

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## Introduction

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Boots to Business (B2B), a program within the Small Business Administration's (SBA's) Office of Veterans Business Development (OVBD), began as a pilot initiative in July 2012 and became fully operational in February 2014. The B2B program objective is to provide service members interested in exploring business ownership or other self-employment opportunities with the information to develop business plans and to connect service members to SBA resource partners and start-up capital. The three-part entrepreneurial training program is a training track within the Department of Defense's Transition Assistance Program (TAP) that includes the following:

- **Entrepreneurship Track Overview:** a 10-minute video for transitioning service members (service members) shown during the mandatory portion of TAP that introduces entrepreneurship as a post-service career option.
- **Introduction to Entrepreneurship:** an optional 2-day classroom course for service members and their dependents, partners, or spouses, interested in learning more about the opportunities and challenges of business ownership.<sup>1</sup> This course introduces participants to SBA's resource partners and provides information for accessing start-up capital.
- **Foundations of Entrepreneurship:** an optional 8-week online course that expands on the 2-day course instruction on developing business plans, as well as tips and techniques for starting a business.

In FYs 2014 and 2015, as part of SBA's appropriations for entrepreneurial development programs, Congress recommended appropriations of \$7 million and \$7.5 million for the B2B program, respectively.<sup>2</sup> Subsequently, in FY 2016, Congress recommended appropriations of \$12.3 million for Veterans Outreach, which included a blend of funding for B2B, Veteran Business Outreach Centers (VBOCs), Veteran Women Igniting the Spirit of Entrepreneurship, Entrepreneurship Bootcamp for Veterans with Disabilities, and B2B: Reboot.<sup>3</sup> SBA delivers the B2B program through cooperative agreements with the Institute for Veterans and Military Families (IVMF) at Syracuse University along with the following SBA resource partners: the SCORE Association (SCORE), Association of Small Business Development Centers (ASBDCs), Association of Women's Business Centers (AWBCs), and VBOCs.<sup>4</sup> Table 1 shows the B2B program cooperative agreement recipients (recipients) and award amounts for FYs 2014 through 2016.

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<sup>1</sup> We collectively refer to the transitioning service members and their dependents, partners, or spouses as service members or participants.

<sup>2</sup> The explanatory statement accompanying the Consolidated Appropriations Act, 2014, H.R. Congressional Record 113, Vol. 160, No. 9 at H908 (January 2014) and the explanatory statement accompanying the Consolidated and Further Continuing Appropriations Act, 2015, H.R. Congressional Record 113, Vol. 160, No. 151 at H9740 (December 2014).

<sup>3</sup> The explanatory statement accompanying the Consolidated Appropriations Act 2016, H.R. 2020 P.L. 114-113, H.R. Congressional Record 113, Col. 161, No. 184-Book II at H10139 (December 17, 2015).

<sup>4</sup> The SCORE Association was formally known as the Service Corps of Retired Executives.

**Table 1. B2B Program Recipients and Award Amounts for FYs 2014 Through 2016**

<b>Recipient</b>	<b>FY 2014 Award Amount</b>	<b>FY 2015 Award Amount</b>	<b>FY 2016 Award Amount</b>	<b>Total Award Amount</b>
IVMF	\$3,000,000	\$3,000,000	\$2,625,000	\$8,625,000
ASBDC	\$598,826	\$224,946	\$249,997	\$1,073,769
SCORE	\$274,968	\$233,750	\$253,000	\$761,718
AWBC	\$248,000	\$175,000	\$125,000	\$548,000
VBOC*	\$2,970,000	\$4,154,577	\$5,695,000	\$12,819,577

\* The VBOC costs included all veterans outreach activities. See Finding 3.

Source: Generated by OIG based on SBA's budget and the recipients' Notices of Award and technical proposals.

SBA offers the B2B 2-day course at over 180 Continental United States (CONUS) and Outside the Continental United States (OCONUS) military installations, due to service members transitioning out of the military both CONUS and OCONUS. The IVMF delivers the training at OCONUS installations, while SBA resource partners and SBA district offices deliver the training at CONUS installations.<sup>5</sup> Upon completion of the 2-day course, participants have the option to enroll in an 8-week, instructor-led online course delivered by the IVMF and Syracuse University faculty at the IVMF's partner universities. This course includes interactive lectures, videos, and discussion opportunities with other participants.

### **Prior Audit Work**

SBA OIG Report 16-12, The Small Business Administration's Boots to Business Grant Award (March 28, 2016), reported that SBA compromised the integrity of its B2B grant award selection process on a \$3 million B2B grant to Syracuse University. Specifically, SBA had no documentation delineating or rationalizing its final selection of Syracuse University. Because SBA lacked such documentation, it could not demonstrate that it made a merit-based selection in awarding the \$3 million grant. The audit report included four recommendations to improve SBA's oversight of grants management, including issuing an updated grants management standard operating procedure. SBA implemented all four recommendations.

### **Objectives**

Our objectives were to determine whether SBA's oversight of the B2B program ensured (1) efficiency of program operations, (2) that the program achieved its goals and objectives, and (3) that recipients complied with the cooperative agreement requirements.

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<sup>5</sup> Instructors from IVMF, Syracuse University, and other non-profit partners teach the OCONUS classes.

## **Finding 1: SBA Made Improvements to the B2B Program; Further Steps Needed to Increase Efficiencies**

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Since implementing the B2B program, SBA progressively improved program operations. For example, program officials established efficient ways to print and ship course materials, modified travel practices, and implemented a new customer relationship management system to track performance. Despite these improvements, we found inefficient use of program resources. Specifically, approximately 22 percent of the Introduction to Entrepreneurship courses did not meet the minimum number of required class participants. This inefficiency could have been prevented had SBA assessed whether the frequency of the course offerings at various installations was the most efficient use of resources and had SBA ensured that the program was effectively marketed and advertised at the installations. As a result of this inefficiency, SBA may not have fully reached the targeted population or maximized participation in the B2B program.

### **Improvements Implemented**

Although we focused on FYs 2015 through 2016 of the B2B performance period, we noted that SBA management implemented several program improvements for FY 2017 that should result in reduced program costs. For instance, to decrease shipping and printing costs, SBA no longer printed copies of the B2B course slides, an Introduction to Ownership booklet, and supplemental worksheets; it instead provided these documents in electronic format to the participants. Additionally, to decrease the cost of travel associated with delivering the OCONUS courses, SBA required that recipients coordinate back-to-back course scheduling at installations in the same geographic location and directed that only one instructor teach the course previously taught by two instructors. Further, in FY 2017 SBA switched to Salesforce, a customer relationship management system, to consolidate three separate systems that it had previously used to manage the program. The new system improved program officials' ability to track the number of service members participating in the 2-day courses and the participants' use of the follow-on 8-week course. Additionally, the system enabled participants to search for upcoming 2-day courses and to gain access to course materials.

### **Improvements Needed**

Although program officials made improvements to the B2B program operations in 2017, further improvements are needed to ensure the efficient use of program resources. Specifically, SBA should assess whether the frequency and location of the scheduled courses offered the most efficient use of resources. We found that approximately 22 percent of the 2-day courses had fewer than 10 participants. According to the Interagency Memorandum of Understanding, courses should have at least 10 participants and a maximum of 50 participants.<sup>6</sup>

Additionally, SBA should ensure that it successfully transfers the program knowledge needed to effectively market and advertise the program at the installations to the incoming Department of Defense Transition Service Managers. According to program officials, frequent turnover of the Department of Defense Transition Service Managers resulted in the loss of program knowledge necessary to promote the B2B courses at the installations. In addition, B2B instructors and IVMF

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<sup>6</sup> Memorandum of Understanding among the Department of Defense, Department of Veterans Affairs, Department of Labor, Department of Education, Department of Homeland Security (United States Coast Guard), United States Small Business Administration, and the United States Office of Personnel Management regarding the Transition Assistance Program for Separating Service Members (January 2014).



personnel stated that insufficient marketing contributed to the low attendance for the courses. At the onset of the program, SBA provided the Transition Service Managers brochures, flyers, and posters to market and advertise the B2B courses at the installations. However, a program official stated that due to the turnover, the new Transition Service Managers may not have known how to request promotional materials. SBA could reduce the impact that the turnover of this key position has on the course attendance if it communicates more frequently with Transition Service Managers regarding the available promotional materials.

## **Recommendations**

We recommend that the Administrator require the Associate Administrator for the Office of Veterans Business Development to:

1. Perform analysis on historical 2-day course schedules and attendance to identify trends of low attendance and adjust the frequency of the scheduled course offerings as necessary to ensure efficient use of resources.
2. Establish and implement processes and procedures to ensure that program officials transfer Boots to Business program knowledge and marketing and advertising materials to incoming Transition Service Managers at the installations.



## **Finding 2: SBA Did Not Establish Effective Performance Monitoring**

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SBA program officials did not establish outcome-based measurements or controls for effectively monitoring performance for the three recipients we reviewed. Furthermore, program officials did not ensure that recipients accurately measured performance outcomes and relied on incomplete and inaccurate output results in the recipients' performance reports to assess the recipients' participant goal achievements. Without outcome-based performance measurements and a process to effectively monitor the recipients' performance, SBA cannot ensure that the B2B program is fully achieving its objectives.

### **Outcome-Based Performance Measurements**

SBA did not develop outcome-based measurements to determine whether the program achieved its objectives. Instead, SBA relied on the number of program participants and the graduation rates for the 8-week course as key output measurements for evaluating the overall B2B program performance. SBA did not achieve its established goals for either performance measurement (See appendix III). Output measurements describe the level of product or activity provided over time; whereas outcome measurements indicate progress against achieving the intended results of the program. Outcome measurements also indicate changes in conditions that the government is trying to influence.<sup>7</sup> Program officials stated that leadership turnover, inexperienced program staff, and the lack of a system to track program results contributed to the delay in developing outcome-based measurements.

In FY 2017, SBA implemented a new customer relationship management system and began tracking the number of small businesses formed by B2B participants as a program outcome. However, SBA had not implemented measurements to evaluate the effectiveness of the program on connecting service members to SBA resource partners and start-up capital. According to program officials, they planned to track the number of B2B participants that used SBA's resources, such as counseling services and small business loans, but using this measurement required further coordination among its resource partners. As a result, they anticipated reporting on this measurement in FY 2018. While SBA management made improvements to the performance measurements, they did not set goals and measure results to assess whether the program achieved all its objectives.

### **Performance Monitoring**

In addition to not establishing outcome-based performance measurements, SBA did not effectively monitor the recipients' goal achievements. Specifically, none of the three recipients we reviewed submitted the required milestone charts comparing actual quarterly performance results against projected performance goals in their quarterly performance reports as required by the Notice of Award terms and conditions. SBA did not enforce this reporting requirement. Without quarterly comparisons of actual performance results against established goals, program officials cannot effectively evaluate whether recipients are on target to meet their goals and measure program success.<sup>8</sup>

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<sup>7</sup> Office of Management and Budget Circular A-11, Section 200.21 (July 2017).

<sup>8</sup> GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014).

## **Incomplete and Inaccurate Performance Results**

SBA relied on incomplete data to assess recipients' participant goal achievements. Federal internal controls standards require federal program managers to use quality information to assess whether the program achieved its objectives.<sup>9</sup> However, SBA did not develop a reliable data collection system to capture a complete record of participant attendance. Specifically, program personnel manually input the attendance records into a SharePoint database, which, according to program officials, made it susceptible to upload errors and inaccuracies. Further, SBA did not perform any data verification procedures to ensure that the data in the system was accurate and complete. One data verification procedure that SBA could have used to determine whether the data was accurate and complete would have been to reconcile the recipients' participant totals to the SharePoint data. However, SBA did not require recipients to consistently report the participant totals in their quarterly performance reports; one recipient reported projected participant amounts instead of actual participant numbers. As an improvement, in FY 2017 SBA made changes to the recipients' performance reporting requirements and it implemented a new system for collecting attendance data that program officials stated is more reliable than the previous system.

## **Recommendations**

We recommend that the Administrator require the Associate Administrator for the Office of Veterans Business Development to:

3. Establish outcome-based program goals and measurements to assess whether the program achieved all its objectives.
4. Develop and implement policies and procedures to ensure that recipients provide complete quarterly performance reports timely, as required in the Notice of Award.
5. Require the program managers to assess the accuracy of the performance data provided by the recipients, including a reconciliation of the attendance records reported in Salesforce to recipient performance reports.

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<sup>9</sup> GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014).

### **Finding 3: SBA Did Not Enforce Requirements for Financial Reporting**

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The VBOC we reviewed did not separate B2B costs from its other programs costs for FYs 2015 and 2016. Specifically, the VBOC did not itemize the B2B costs in its budget for either year and it did not separate the B2B costs from the other veterans outreach initiatives in its quarterly financial reports, with the exception of the third and fourth quarters of FY 2015. Program officials told us this was the case for all VBOCs.<sup>10</sup> According to the FYs 2015 and 2016 VBOC program announcements, recipients were required to itemize the B2B program costs in their budgets. Program officials did not enforce this requirement because they felt the VBOCs' primary mission was to provide transition assistance to service members that included the B2B program and approved their proposed budgets without B2B program costs clearly itemized. As a result, SBA could not determine what the VBOCs should have spent on the B2B program, nor could they assess the validity of reimbursement requests.

Further, unlike in the prior fiscal year, for FY 2016, Congress did not recommend a specific amount of funds for the B2B program. Instead, Congress recommended \$12.3 million for Veterans Outreach programs.<sup>11</sup> Program officials told us they interpreted that it was Congress' intent to consolidate the B2B program costs with the various veteran outreach initiatives in the program portfolio into one designated amount for service members' transition assistance. Despite the consolidated funding amount, SBA's Office of the Chief Financial Officer established separate program codes to keep the various veteran outreach initiatives costs separate in the financial system. The Office of the Chief Financial Officer also cautioned the program officials that it was their responsibility to ensure that they reported the program costs separately. However, program officials did not use the program codes to track B2B program costs separately for the VBOCs. Consequently, program officials could not determine the amount spent on the B2B program. Additionally, because the VBOC we reviewed did not separate its B2B expenditures in its annual budget and the quarterly financial reporting, we questioned \$419,912 of the funds SBA awarded to the VBOC because there was no assurance that it spent the funds on B2B activities. (See Appendix II for a schedule of our questioned costs.) In addition, there is a risk that other VBOCs may not have used the funds SBA awarded to them (approximately \$9.2 million) for B2B activities.

#### **Recommendations**

We recommend that the Administrator require the Associate Administrator for the Office of Veterans Business Development to:

6. Require that the Veteran Business Outreach Centers report Boots to Business costs separately from other veteran activities in their budgets and reimbursement requests.
7. Review the Community Business Partnership Veteran Business Outreach Center funding reimbursement requests for FYs 2015 and 2016 to determine the amount of funds expended for Boots to Business activities and make a determination on whether the expenditures were allowable, allocable, and reasonable.

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<sup>10</sup> The number of VBOCs varies per year. In FYs 2015 and 2016, there were 15 and 20 VBOCs that conducted B2B activities, respectively.

<sup>11</sup> Explanatory statement accompanying the Consolidated Appropriations Act 2016, H.R. 2020 P.L. 114-113, H.R. Congressional Record 113, Col. 161, No. 184-Book II at H10139 at H10139 (December 17, 2015).

## Analysis of Agency Response

Program officials provided formal comments, which are included in their entirety in Appendix IV. They concurred with recommendations 1, 2, 3, 4, 5, and 7, but they disagreed with recommendation 6. Program officials' proposed corrective actions for three of the recommendations were responsive; however, their proposed corrective actions for the remaining four recommendations were not responsive. In accordance with our audit follow-up policy, we will attempt to reach agreement with program officials on the unresolved recommendations within 60 days after the date of this final report. If we do not reach agreement, OIG will notify the audit follow-up official of the disputed issues.

## Summary of Actions Necessary to Close the Report

The following provides a status of the recommendations and the actions necessary to close them.

- 1. Resolved.** Program officials concurred with our recommendation and provided analysis of historical 2-day course schedules and attendance trends. The analysis included four actionable recommendations to improve performance expectations at the installations and maximize the capacity of the existing B2B resources at the installations. Instead of adjusting the frequency of the scheduled course offerings, program officials planned to increase class registration limits to mitigate the impact of attrition between participant registration and class attendance. They also planned to strategically increase marketing and outreach resources at installations that do not meet performance goals to ensure efficient use of program resources. Program officials indicated that they planned to fully implement the four recommendations from their analysis in FY 2019. This recommendation can be closed once program officials provide evidence that they implemented the planned actions.
- 2. Unresolved.** Program officials concurred with our recommendation and stated that they will continue to participate in installation Transition Assistance Program manager trainings and conferences to raise awareness of the B2B program and continue to provide B2B promotional materials and outreach kits directly to installations. They also stated that they provide outreach kits to SBA district offices so that the Veterans Business Development Officer can train and update the Transition Service Managers at the installations on a regular basis. While their response identified the role the SBA District Office personnel have in training and updating the Transition Service Managers at the installations to promote the B2B program, they did not establish a process or procedures to ensure that the SBA District Office personnel perform these duties. This recommendation can be closed once program officials establish and implement processes and procedures to ensure that B2B program knowledge and marketing and advertising materials will be transferred to incoming Transition Service Managers.
- 3. Closed.** Program officials concurred with our recommendation and provided documentation that they established outcome-based measurements to assess the extent to which participants considered the instructor and course content met the B2B course learning objectives; to assess whether B2B program participants connect with a SBA District Office, VBOC, or Resource Partner; and to track participant's business formation. We consider this recommendation closed.
- 4. Unresolved.** Program officials concurred with our recommendation and stated that they revised the performance progress report template for B2B cooperative agreement recipients to use and required recipients use the revised template to report performance for the project period starting June 1, 2017. Their corrective actions did not address the recommendation. The revised template did not include a requirement for recipients to include a milestone chart comparing actual

accomplishments to predicted accomplishments, as required by the Notice of Award. This recommendation can be closed once program officials revise the performance progress report template to ensure recipients comply with all of the reporting requirements in the Notice of Award.

5. **Closed.** Program officials concurred with our recommendation and developed procedures, documented in the B2B Management System User Guide, which provided directions to the resource partners on how to close out a class with all the necessary class attendance information. Combined with the program office's training efforts, the documented procedures provide a resource for system users who input the performance data and improve the accuracy of the attendance records reported in Salesforce. We consider this recommendation closed.

6. **Unresolved.** Program officials did not concur with our recommendation and reiterated what we reported in Finding 3. Additionally, they stated that based on direction from the Office of the Chief Financial Officer in FY 2016, they funded the VBOCs with one budget line item for both the B2B activities and other veteran outreach activities. As a result, they did not require the VBOCs to report the B2B program costs separately from other veteran outreach activities in their budgets and reimbursement requests. The purpose of this recommendation was to have VBOCs track B2B expenditures separately from the other veteran outreach activities to determine how much the SBA spends on its B2B program. This recommendation can be closed once program officials require VBOCs to track B2B expenditures separately.

7. **Unresolved.** Program officials concurred with our recommendation and stated that the documents they provided demonstrated the Community Business Partnership VBOC funding reimbursement requests for FYs 2015 and 2016 were allocable and allowable. However, their actions did not address the recommendation. Instead of determining the amount of funds the VBOC spent on the B2B program from its other veteran business outreach activities, they provided previously submitted reimbursement documents and a travel spreadsheet that did not separate the amount expended for B2B activities. This recommendation can be closed once program officials provide documentation on the amount expended for B2B activities.

## Appendix I: Objectives, Scope, and Methodology

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### Objectives

Our objectives were to determine whether SBA’s oversight of the B2B program ensured (1) efficiency of program operations, (2) that the program achieved its goals and objectives, and (3) that recipients complied with the cooperative agreement requirements.

### Scope and Methodology

Our scope of work focused on FYs 2015 through 2016 of the B2B program performance period. Additionally, we performed a limited review of SBA’s changes made and implemented to the B2B program for FY 2017. We judgmentally selected three recipients to review with awards totaling \$6.7 million, based on dollar value and risk (see Table 2). As discussed in Finding 3, VBOCs did not receive separate awards for the B2B program.

**Table 2. Judgmentally Selected FYs 2015 and 2016 B2B Recipients**

<b>Recipient</b>	<b>FY 2015 Award Amount</b>	<b>FY 2016 Award Amount</b>
IVMF at Syracuse University	\$3,000,000	\$2,625,000
ASBDC	\$224,946	\$249,997
Community Business Partnership VBOC*	\$300,000	\$300,000
<b>Total</b>	<b>\$3,524,946</b>	<b>\$3,174,997</b>

\* The Community Business Partnership VBOC cooperative agreement awards included funds for veterans outreach activities that included administering B2B program activities.

Source: OIG generated from the recipients’ FYs 2015 and 2016 Notices of Award.

To determine whether SBA’s oversight of the B2B program ensured efficiency of program operations, we reviewed the Interagency Memorandum of Understanding, the Veterans Entrepreneurship Act of 2015, and the Small Business Act.<sup>12</sup> We also reviewed pertinent SBA standard operating procedures. We interviewed SBA personnel from the Office of Veterans Business Development and the Office of Grants Management involved in the B2B program to determine whether they executed their oversight duties efficiently. Additionally, we met with Department of Defense officials from the Defense Personnel and Family Support Center and Transition to Veterans Program Office personnel, part of the interagency workgroup for administering the Department of Defense Transition Assistance Program, to discuss SBA’s roles and responsibilities for providing the entrepreneurial training. We also attended the B2B 2-day course at Fort Meade, MD; Ramstein Air Base, Germany; and U.S. Army Garrison Stuttgart, Germany. Using this information, we assessed SBA’s processes used to coordinate and conduct the 2-day B2B courses.

To determine whether SBA’s oversight of the B2B program ensured that it achieved its program goals and objectives, we obtained and reviewed the U.S. Small Business Administration FY 2018 Congressional Budget Justification and FY 2016 Annual Performance Report, B2B program announcements, applications, Notices of Award, recipients’ performance reports, and supporting

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<sup>12</sup> Memorandum of Understanding among the Department of Defense, Department of Veterans Affairs, Department of Labor, Department of Education, Department of Homeland Security (United States Coast Guard), United States Small Business Administration, and the United States Office of Personnel Management regarding the Transition Assistance Program for Separating Service Members (January 2014); and Public Law 114-38 (July 2015).

documentation. We compared the recipients' quarterly performance reports to the program announcement, application, and Notice of Award to assess recipients' compliance. For each recipient selected, we interviewed personnel responsible for managing the cooperative agreement to determine whether they were sufficiently performing their duties; including submitting reports timely, managing day-to-day activities, and maintaining complete and accurate records as required by the program announcement and Notice of Award. We conducted site visits to IVMF at Syracuse University in Syracuse, NY; SBA district offices in Washington, DC, and Syracuse, NY; and the Community Business Partnership Veteran Business Outreach Center in Springfield, VA. Additionally, we conducted phone interviews with SBA district office personnel in Maryland and Arizona.

To determine whether SBA's oversight of the B2B program ensured that recipients complied with the cooperative agreement requirements, we reviewed B2B program announcements, applications, Notices of Award, financial reports, and supporting documentation. We compared the recipients' quarterly financial reports to the budget. For one recipient, we selected costs from the general ledger to determine whether costs were allowable, allocable, and reasonable. We reviewed explanatory statements for federal appropriations to determine the amount of funds Congress appropriated for the B2B program. Further, we met with SBA's Chief Financial Officer to gain a better understanding of how SBA tracked the B2B program funds in its financial system.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

We relied on computer-processed data that SBA program officials provided. Specifically, SBA provided a list of all B2B 2-day courses completed during FYs 2015 and 2016 that included the number of participants who attended. This was the most current data available on the B2B program attendance. Program officials rely on this data to report on the program participant goal in the annual performance report. In examining the underlying documents that supported the attendance records, we identified inaccuracies in the data. Though the data was inconsistent with the supporting documents, we deemed the risk as low that SBA underreported the number of participants for the courses. Therefore, we considered the data to be sufficient to assess the frequency of courses offered that did not meet the minimum class size requirements. We made a recommendation in this report to address the data accuracy issues.

### **Review of Internal Controls**

The Office of Management and Budget Circular (OMB) 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. According to OMB, agencies are responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financing reporting, and compliance with applicable laws and regulations.<sup>13</sup> We reviewed SBA's B2B program and identified deficiencies in SBA's review of performance and financial reporting. Specifically, SBA did not ensure that recipients reported and

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<sup>13</sup> OMB Circular A-123, Management's Responsibility for Internal Control (July 15, 2016).



submitted complete documentation. Additionally, SBA did not effectively monitor the recipients' performance to ensure that they measured or met goals and reported accurate and complete participation data. We made recommendations in this report to address these deficiencies. We also found the official cooperative agreement files maintained by the Office of Grants Management were incomplete and did not consistently reconcile with recipient or program office documentation. We previously made a recommendation to address the incomplete official files.<sup>14</sup>

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<sup>14</sup> SBA OIG Report 16-12, The Small Business Administration's Boots to Business Grant Award (March 28, 2016).

## Appendix II: Questioned Costs

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**Table 3. OIG Schedule of Questioned Costs for the Boots to Business Program<sup>15</sup>**

<b>Description</b>	<b>Amount</b>	<b>Explanation</b>
<b>Unsupported Costs</b>	<b>\$119,912</b>	The Veteran Business Outreach Center did not itemize Boots to Business program costs for the first and second quarters of expenditure reports as required by FY 2015 Notice of Award.
<b>Unsupported Costs</b>	<b>\$300,000</b>	The Veteran Business Outreach Center did not itemize Boots to Business program costs in its quarterly expenditure reports as required by the FY 2016 Notice of Award.
<b>Total Questioned Costs</b>	<b>\$419,912</b>	

Source: Generated by OIG based on OIG's analysis of recipient financial information.

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<sup>15</sup> Questioned costs are expenditures that are not supported by adequate documentation at the time of the audit or otherwise do not comply with legal, regulatory, or contractual requirements.

## Appendix III: SBA's B2B Program Output Goal Attainment

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SBA did not achieve its established goals for the number of program participants or 8-week course graduation rate performance measurements. In FY 2015, SBA missed its participant goal by 21 percent and its graduation rate goal by 26 percent. Similarly, in FY 2016, SBA missed its participant goal by 14 percent and its graduation rate goal by 22 percent (see Table 4).<sup>16</sup>

**Table 4. B2B Program Goals and Achievements**

Performance Indicators	FY 2015		FY 2016	
	Goal	Actual	Goal	Actual
Participants	15,500	14,457	17,500	15,000
8-Week Course Graduation Rate	50%	37%	50%	39%

Source: OIG generated from data reported by SBA in the U.S. Small Business Administration FY 2018 Congressional Budget Justification and FY 2016 Annual Performance Report.

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<sup>16</sup> U.S. Small Business Administration FY 2018 Congressional Budget Justification and FY 2016 Annual Performance Report, page 96.

SBA

ACTING ASSOCIATE ADMINISTRATOR,  
OFFICE OF VETERANS BUSINESS  
DEVELOPMENT

RESPONSE TO AUDIT REPORT



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**Date:** July 2, 2018

**From:** Larry Stubblefield, Acting AA – Office of Veterans Business Development

**To:** Riccardo Buglisi, Director – Office of Inspector General

**Subject:** Draft report on SBA’s Boots to Business Program (Project No. 17008)

Thank you for the opportunity to respond to the Draft Report on the Boots to Business Program (B2B). The objectives of the audit were to determine whether SBA’s oversight of the B2B program ensured (1) efficiency of program operations, (2) that the program achieved its goals and objectives, and (3) that recipients complied with the agreement requirements.

The Office of Veterans Business Development concurs with six of the recommendations and non-concurs with one recommendation (# 6).

**Recommendation # 1:** Perform analysis on historical 2-day course schedules and attendance to identify trends of low attendance and adjust the frequency of the scheduled course offerings as necessary to ensure efficient use of resources.

**Explanation of Proposed Action:** Concur - OVBD completed analysis of FY 2016 (historical) 2-day course schedules and attendance focused on three categories: (1) Assessment of Overall Performance to Goal, (2) Analysis of Military Installation Performance (Actual Performance), and (3) Analysis of Expected Performance. OVBD provided a white paper on analytical findings to the SBA OIG on 6/1/2018 for consideration.

Status: Completed

**Recommendation # 2:** Establish and implement processes and procedures to ensure that program officials transfer Boots to Business program knowledge and marketing and advertising materials to incoming Transition Service Managers at the installations.

**Explanation of Proposed Action:** Concur - At the Service Branches’ request, OVBD participates in installation TAP manager trainings and conferences, raising awareness of the SBA’s B2B Program and disseminating its marketing and outreach materials. In accordance with guidance from DOD and the installations, OVBD provides B2B promotional materials and outreach kits directly to installations or respective Service Branch points of contact. OVBD also provides outreach kits to local SBA District Offices so that the local Veterans Business Development Officer, the relationship manager for installation Transition Service Managers, can train and update the local TSMs on a regular basis. In FY18, OVBD is launching a targeted

installation social media campaign designed to raise awareness of the B2B Program and hopefully drive increased participation in upcoming local B2B workshops. OVBD provided documentation to the SBA OIG on 6/15/2018 for consideration.

Status: Completed by September 30, 2018 and ongoing

**Recommendation # 3:** Establish outcome-based program goals and measurements to assess whether the program achieved all its objectives.

**Explanation of Proposed Action:** Concur - In accordance with the “SBA Program Evaluation Framework”, outcome-based measurements currently include short-term, intermediate, and long-term outcomes which focus on gauging changes in awareness, behavior and condition, respectively. Throughout FY18, SBA has reported on intermediate and long-term outcome measures (connection to follow-on entrepreneurial development resources, business formation) to the TAP interagency workgroup (TAIWG). For FY19, SBA proposed to the TAIWG a new short-term outcome measure related to Entrepreneurship Track (E-Track) Course Quality with the intention of ensuring E-Track content and instructors support participants meeting the B2B course learning objectives. OVBD provided documentation to the SBA OIG on 6/15/2018 for consideration.

Status: Completed by September 30, 2018 and ongoing

**Recommendation # 4:** Develop and implement policies and procedures to ensure that recipients provide complete quarterly performance reports timely, as required in the Notice of Award.

**Explanation of Proposed Action:** Concur - OVBD staff reviewed prior B2B grant reporting, grant proposals, and corresponding grant terms and conditions to refine the federally-prescribed PPR reporting template for B2B grantee use. OVBD then communicated this procedure to B2B grantees who began using the template throughout the base year project period June 1, 2017 to date. On 6/15/2018, OVBD provided OIG quarterly performance reports from grantees and a report template, demonstrating current implementation of this procedure. OVBD will be developing a standardized quarterly reporting process and template to be used by all OVBD grantees. Grantees will be required to utilize the standardized reporting template and OVBD program staff will be required to review quarterly reports and provide their feedback to the grantees.

Status: Completed by September 30, 2018

**Recommendation # 5:** Require the program managers to assess the accuracy of the performance data provided by the recipients, including a reconciliation of the attendance records reported in Salesforce to recipient performance reports.

**Explanation of Proposed Action:** Concur - Both B2B follow-on course cooperative agreement partners (“recipients”) -- IVMF/Syracuse University and Mississippi State University-- provide regular reports (as part of quarterly reporting and bi-weekly calls) to SBA on attendance at recipients’ respective course offerings. Both grantees also provide by name attendance reports either via upload to the B2B Management System (B2B-MS, or Salesforce) or via attaching spreadsheets to email. When data is provided to SBA via spreadsheet, the B2B

Helpdesk provides support to complete the closeout process. This data input process-- albeit labor intensive and not fully leveraging the potential of the B2B-MS technology -- affords OVBD the opportunity to reconcile grantee performance report data and attendance records. OCONUS classes are facilitated by IVMF instructors or contract instructors from within the Syracuse University network. IVMF uses the B2B-MS system to close-out each two-day OCONUS B2B class. As part of this process, IVMF is required to attach the sign-in sheet(s) which contain the name and email address for each class attendee. Attendees themselves are also encouraged to use the B2B-MS to create accounts and register as a way to receive updates on SBA entrepreneurial development resources and tools.

B2B class closeout procedures are outlined in the B2B-MS Mentor Portal User Guide and the B2B Class Close-out Job Aid. These documents demonstrate the B2B Program's ongoing efforts to develop systems and procedures to improve overall program operations, including the reconciliation of grantee performance report data and course attendance records. Finally, OVBD is developing and posting a series of video tutorials for those B2B-MS users that prefer video learning. These videos further demonstrate the B2B Program's continued efforts in developing its program management infrastructure and creating tools for the field to use in support of improved program operations.

On 6/19/2018, OVBD provided OIG the B2B-MS Mentor Portal User Guide, the B2B Class Close-Out Job Aid, and the URL to the B2B-MS page that houses the video tutorials.

Status: Completed

**Recommendation # 6:** Require that the Veteran Business Outreach Centers report Boots to Business costs separately from other veteran activities in their budgets and reimbursement requests.

**Explanation of Proposed Action:** Non-Concur - In the 2015-16 funding year all Veteran Business Outreach Centers were required to breakout their VBOC and B2B expenses in the 3rd and 4th quarters. This was a result of the CFO's concerns that costs were not clearly separated between the two programs and an audit would clearly show the possibility of co-mingling funds. This concern and requirement by the CFO was discussed with managers in OVBD during the latter half of the second quarter. To address these concerns, it was decided for the 3rd and 4th quarters of 2015-16 all centers would submit separate reimbursement request for VBOC activities/expenses and for B2B activities/expenses. The CFO agreed with this approach as did the Office of Grants Management. A conference call was held with all VBOCs to explain this change in reimbursement processes, in addition to providing electronic examples of forms required for each reimbursement request. Center staff complied with this requirement and separate reimbursement requests were submitted to the Finance Office for payment from the appropriate funding account during this time.

Currently, based on direction from the Office of the Chief Financial Officer in FY16, OVBD funds the VBOC Program with one budget line item (Transition Assistance Programs – Program Code: 20030). As a result, the VBOCs are not required to report B2B costs separately from other veteran outreach activity in their budgets and reimbursement requests.

VBOCs are required to submit quarterly or monthly reimbursement requests that identify costs related to the operation of the VBOC Program. During the 2016-17 funding the VBOC Director and GOTR created a spreadsheet to breakout out travel costs for VBOC, B2B and Reboot travel to ensure separation of these expenses. OVBD has continued use of the VBOC



travel spreadsheet with all centers submitting quarterly/monthly travel costs broken out among the three programmatic areas. VBOCs are now required to engage in 100 percent B2B participation within their coverage area.

Status: Non-Concur

**Recommendation # 7:** Review the Community Business Partnership Veteran Business Outreach Center funding reimbursement requests for FYs 2015 and 2016 to determine the amount of funds expended for Boots to Business activities and make a determination on whether the expenditures were allowable, allocable, and reasonable.

**Explanation of Proposed Action:** Concur - The documents attached from the Community Business Partnership (CBP) VBOC are evidence that the center complied with the requirement to separate VBOC expenses/activities from those attributable to the B2B expenses and activities during the 2015-2016 funding year. This was based on the requirement by the CFO to ensure that VBOC and B2B funding was not co-mingled. These documents demonstrate that all costs are allocable and allowable. During the 2016-17 funding the VBOC director and GOTR created a spreadsheet to breakout out travel costs for VBOC, B2B and Reboot travel to ensure separation of these expenses. To further ensure costs were not co-mingled between the programs, OVBD managers required VBOC staff to allocate 50 percent of their time to B2B/Reboot events within and outside their assigned coverage area, with the remaining 50 percent allocated to VBOC counseling and training activities. OVBD has continued use of the VBOC travel spreadsheet with all centers submitting quarterly travel costs broken out among the three programmatic areas. VBOCs are now required to engage in 100 percent B2B participation within their coverage area.

Status: Completed