

**AUDIT OF SBA'S OVERSIGHT OF WOMEN'S BUSINESS CENTERS'
COMPLIANCE WITH COOPERATIVE AGREEMENT FINANCIAL
REQUIREMENTS**

REPORT NUMBER 21-14 | MAY 4, 2021





EXECUTIVE SUMMARY

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What OIG Reviewed

The Small Business Administration's (SBA's) Women's Business Center (WBC) program assists women in starting and growing small businesses and provides long-term training and counseling to women business owners, including those who are socially and economically disadvantaged. Our objective was to determine whether SBA provided effective oversight of the WBCs to ensure they complied with cooperative agreement financial requirements.

In fiscal year (FY) 2018, SBA awarded 116 cooperative agreements totaling \$16.4 million to WBCs. We tested a sample of 10 cooperative agreements representing \$1.4 million of the federal funds awarded and \$1.5 million of matching funds and program income.

To meet our objective, we reviewed SBA policies and procedures, interviewed SBA personnel and reviewed documentation from the Office of Entrepreneurial Development, the Office of Field Operations, and the Office of Grants Management. We also visited 7 site locations comprised of WBCs or host organizations where we interviewed WBC personnel and analyzed supporting documentation for the \$0.5 million expenses that we judgmentally sampled and \$1.5 million of matching funds and program income associated with the 10 cooperative agreements in our sample.

What OIG Found

SBA did not provide effective oversight over the WBC program. SBA program officials did not detect that WBCs in our sample: (1) failed to take corrective action to remedy accounting deficiencies identified during mandated programmatic and financial reviews and examinations; (2) made improper budget transfers and maintained general ledgers that did not support expenses; (3) used federal funds for unsupported, unallowable and unallocable costs; (4) reported unsupported matching funds and program income earned, and 5) failed to submit accurate financial reports. Further, program officials detected significant noncompliance that warranted removal of two WBCs from the program but did not take action. Additionally, program officials' methodology for evaluating applicant risk

was flawed, and resulted in inadequate oversight of the sample WBCs' use of federal funds.

As a result of weaknesses in SBA's internal controls and limited oversight of the WBCs, program officials did not detect \$801,056 in unallowable, unallocable, and unsupported costs, matching funds, and program income earned.

OIG Recommendations

We made 10 recommendations to improve SBA's oversight and management of the Women's Business Center cooperative agreements.

Agency Response

SBA management concurred with all 10 recommendations, and its planned actions resolve the recommendations. Program officials will develop standard operating procedures for the WBC program that will be used to ensure staff are enforcing the cooperative agreement requirements and compliance with federal regulations. This includes documenting award decisions, withholding funds for untimely financial reporting, and enforcing the requirement that federal funds only be used in accordance with the cooperative agreement.

Program officials plan to include procedures for conducting thorough financial compliance reviews, including follow-up procedures. They will coordinate with the Office of Field Operations to train field office personnel responsible for semiannual site visits. They also plan to remedy and recover funds for unallowable, unallocable, and unsupported expenses. The agency plans to update the funding opportunity announcement to include all risk assessment criteria.



Office of Inspector General

U.S. Small Business Administration

DATE: May 4, 2021
TO: Isabella Casillas Guzman
Administrator
FROM: Hannibal "Mike" Ware
Inspector General 
SUBJECT: Audit of SBA's Oversight of Women's Business Centers' Compliance with Cooperative Agreement Financial Requirements

This report represents the results of our audit of SBA's oversight of Women's Business Centers' compliance with cooperative agreement financial requirements. We considered management comments on the draft of this report when preparing the final and management agreed with all recommendations. Based on our final review of the report, we updated the numbers in finding 1 and recommendation 2 to reflect the total unsupported matching funds and program income earned.

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

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Table of Contents

Introduction.....	1
Oversight of the WBC Program.....	1
SBA's Oversight Structure for the Women's Business Center Program.....	2
Prior Audit Work.....	2
Objective	3
Finding 1: Improved Oversight Necessary for Effective Management of Federal Funds.....	4
Processes for Overseeing WBC's Compliance with Financial Requirements.....	4
Two Types of Reviews.....	5
Program Officials Did Not Ensure WBC's Met Financial Requirements.....	6
Table 1. Issues Identified by WBCs in Sample, FY 2018 WBC Cooperative Agreements	7
Table 2. WBC Budget Reallocations	10
Recommendations.....	11
Finding 2: SBA's Methodology for Evaluating Applicant Risk Resulted in Inadequate Oversight of WBCs' Use of Federal Funds	13
Risk Assessment Questions.....	13
Weighting of Risk Factors	13
Undisclosed Risk Factors.....	14
Recommendations.....	15
Analysis of Agency Response	16
Summary of Actions Necessary to Close the Recommendations.....	16
Appendix I: Objective, Scope, and Methodology.....	20
Table 3. Judgmentally Selected FY 2018 WBC Cooperative Agreement Actual Program Expenses.....	21
Use of Computer-Processed Data	22
Review of Internal Controls	22
Appendix II: Questioned Costs	24
Table 4. OIG Schedule of Questioned Costs for the Sample of FY 2018 WBC Cooperative Agreements.....	24
Appendix III: Calculation of Questioned Federal Costs Due to Unmet Match Requirements.....	25
Table 5. OIG Schedule of Questioned Federal Costs Due to Unmet Match Requirements for Sample of FY 2018 WBC Cooperative Agreements.....	25
Appendix IV. Summary of Unsupported, Unallowable, and Unallocable Travel, Other, and Supplies Costs	26
Table 6. OIG Schedule of Unsupported, Unallowable, and Unallocable Travel, Other, and Supplies Costs for Sample of FY 2018 WBC Cooperative Agreements.....	26
Appendix V: Management Comments	27

Introduction

The Women’s Business Ownership Act of 1988 authorized the Small Business Administration (SBA) to establish the Women’s Business Center (WBC) Program to assist women entrepreneurs in accessing capital, acquiring managerial talents, and securing market opportunities.¹ SBA partners with more than 100 nonprofit organizations to administer the nationwide network of WBCs, awarding a cooperative agreement of up to five years and \$150,000 per year to the organizations.

In some instances, a WBC may exist within a host organization, which may have multiple cooperative agreements for each of the WBCs within the organization. The host organization works in collaboration with the individual WBCs to manage the federal award, including ensuring the federal funds are used for its intended purpose. The initial cooperative agreements start with a period of 12-months and four additional 12-month option periods. SBA determines whether to exercise option periods based on availability of funds, the recipient’s compliance with federal law, regulations, and the terms and conditions specified in the organization’s cooperative agreement.

During the first 2-year initial cooperative agreement period, WBCs are required to match one non-federal dollar per two federal dollars. Matching contributions may consist of cash, in-kind goods and services, and program income but must come from non-federal sources. For the remaining 3-years of the initial cooperative agreement period, WBCs are required to match one non-federal dollar for every federal dollar.

After successfully completing the initial 5-year cooperative agreement period, WBCs can apply noncompetitively to renew for an additional 3-years. Under renewed cooperative agreements, WBCs are required to match one non-federal dollar for every federal dollar. WBCs can continue to request renewal funding every three years if they performed successfully.

Oversight of the WBC Program

The Office of Women’s Business Ownership within the Office of Entrepreneurial Development administers the WBC program. The program office collaborates with the Financial Examination Unit and the Office of Field Operations to conduct mandated financial reviews of the WBCs’ cooperative agreement activity.²

¹ Public Law 100-533, Women’s Business Ownership Act of 1988, §201 (October 1988). The original law referred to “demonstrations projects.” The program was not officially named Women’s Business Center Program until 1997.

² Small Business Act, Section 29.

SBA's Oversight Structure for the Women's Business Center Program³

Office of Entrepreneurial Development

Office of Women's Business Ownership

Grant Management Specialists award cooperative agreements and oversee financial and other aspects not related to the program.

Program Managers oversee program and technical aspects, as detailed in the cooperative agreement.

Financial Examination Unit

Financial Examiners determine on a 3-year rotation if Women's Business Centers (WBCs) meet the financial requirements in the terms and conditions of the cooperative agreement.

Office of Field Operations

District Office Personnel conducts mid-year and year-end site visits to review WBC compliance with program and financial requirements.

Prior Audit Work

Review of Women's Business Center, Inc., Compliance with Cooperative Agreement Requirements, September 19, 2019 (find [Management Advisory 19-20](#) on our OIG Reports website). In 2019, as part of this audit, we determined that the Women's Business Center, Inc., in Mobile, Alabama failed to comply with federal statutes, regulations, and the terms and conditions of its two cooperative agreements. Because of the seriousness and timing our findings, we temporarily suspended the audit to issue an advisory memorandum. The memorandum included two recommendations for the Office of Entrepreneurial Development to take prompt corrective actions. The office referred the Mobile WBCs and its staff to the suspension and debarment officials for a determination and provided us evidence of additional actions that resolved the remaining recommendation. OIG then closed both recommendations.

Consolidated Findings of Office of Inspector General Reports on SBA's Grant Programs Fiscal Years 2014–2018, November 8, 2018 (find [Evaluation Report 19-02](#) on our OIG Reports website). In 2018, we identified systemic issues with SBA's financial and performance oversight of multiple grant programs. Specifically, SBA's process to monitor how grant recipients spent federal funds and assess performance of its grant programs was ineffective. We found that SBA's decentralized grants management function restrained agency-wide improvements to the grants management process. As a result, SBA's grant programs were at risk of funds not being used for the intended purpose and not achieving program goals and objectives. The audit report included four recommendations. OIG closed all four recommendations based on evidence that SBA provided OIG to demonstrate it completed the corrective actions.

³ SBA organization chart, Funding Opportunity Announcement FY 2018, and the Financial Examination Review and District Office Personnel checklist.

Objective

The audit objective was to determine whether SBA provided effective oversight of WBCs to ensure they complied with cooperative agreement financial requirements.

Finding 1: Improved Oversight Necessary for Effective Management of Federal Funds

Program officials did not effectively oversee the WBCs to ensure they accounted-for federal expenses, matching funds, or program income in accordance with the cooperative agreement financial requirements for the 10 cooperative agreements we reviewed.

Program officials did not ensure that WBC officials:

- kept sufficient records of matching contributions;
- had supporting documentation for program income earned;
- used federal funds only for allowable, allocable, and reasonable expenses;
- maintained supporting documentation for all expenses;
- made proper budget transfers; and
- submitted accurate financial reports (See Table 1).

Program officials did not detect the unsupported income and unallocable, unallowable, and unsupported expenses because they did not adequately examine the WBCs' financial reports during the financial review process and did not have adequate policies and procedures in place to assess financial compliance.

As a result of our testing, we found \$406,141, or 28 percent, of \$1,462,024 of matching funds and program income were unsupported. Additionally, we found the following significant problems:

- WBCs used \$226,468, or 49 percent, of \$460,261 of total federal funds we tested for unallowable, unallocable, or unsupported expenses.
- WBCs were reimbursed \$117,649 in federal funds that did not meet the minimum matching funds requirement. The centers also received \$28,089 in federal reimbursements for unallowable costs for unauthorized budget transfers (See Appendix II).

Further, program officials allowed two WBCs to remain in the program despite having evidence of significant noncompliance with the cooperative agreement requirements that warranted removal from the program. Program officials did not take action until we alerted them of the issue and recommended SBA remove the WBCs from the program.⁴ If the financial oversight control weaknesses remain unaddressed, the WBC program will remain susceptible to an increased risk of fraud, waste, and abuse.

Processes for Overseeing WBC's Compliance with Financial Requirements

Program officials did not ensure that the semi-annual financial compliance reviews conducted on the 10 sampled WBCs was robust enough to detect whether the WBC's financial systems and procedures complied with financial requirements. Additionally, program officials did not conduct timely follow up on the financial examination reviews. The Small Business Act requires program officials to conduct programmatic and financial

⁴ SBA OIG Report 19-20, Review of Women's Business Center, Inc., Compliance with Cooperative Agreement Requirements (September 19, 2019).

examinations of each WBC annually. The Act also requires program officials to review the WBC's actual expenses for costs incurred, verify the existence and valuation of the matching funds obtained and expended, and analyze the results of each examination to determine the financial viability of each WBC.⁵

Two Types of Reviews

The program office accomplishes this requirement through two types of reviews; financial compliance and financial examinations.

Financial Compliance Reviews. SBA assigned district office personnel to complete mid-year and year-end on-site financial compliance reviews to assess the stability of the WBC's management and financial infrastructure.⁶ Program officials developed a checklist for the district office personnel to complete during the reviews. However, program officials did not provide district office personnel sufficient guidance to conduct the reviews adequately and were silent on the extent of testing to perform during the on-site review. For all 10 WBC's in our sample, the district office personnel reviews did not identify any financial inaccuracies within the WBCs, however, we identified financial discrepancies with financial management, record retention, and unallowable, unsupported expenses within the WBCs. This occurred because SBA did not design the financial reviews in a way to adequately identify financial deficiencies. District office personnel told us that they received insufficient training and the responsibility to perform these reviews were considered ancillary duties, resulting in limited time to devote to this responsibility.

Financial Examination Reviews. In addition to the semiannual financial compliance reviews, program officials relied on financial examination reviews to oversee WBCs compliance, but they did not promptly follow up on the recommendations or take corrective actions. SBA completed financial examinations, which are conducted on a 3-year rotational basis, from FYs 2015 through 2018 for 9 of the 10 sample WBCs.⁷ The financial reviews detected instances of noncompliance in all 9 WBCs, which could have precluded them from receiving additional funds per the terms and conditions of the cooperative agreement. SBA's financial reviews concluded that the WBCs had inadequate policies and procedures and found instances in which the WBCs could not support their financial transactions or provide complete accounting records. The reviews included 38 recommendations to improve the WBCs policies and internal controls for financial compliance. Although program officials relied on financial examination reviews to oversee WBCs compliance, they did not promptly follow up on the recommendations or take corrective actions.

During our review, we found that the issues identified in the prior financial examinations continue to exist. For instance, 3 of the 10 sample WBCs still did not

⁵ 15 USC § 656 (h)(1).

⁶ Program officials generally refer to the Financial Compliance Reviews as District Office Technical Representative reviews.

⁷ One WBC was new and received its first cooperative agreement in FY 2018. SBA had not conducted a financial examination at the time of our review.

have adequate financial management systems and policies and procedures. Federal regulations require recipients to maintain financial management systems sufficient to adequately identify the source and application of funds for federally funded activities.⁸ We found that the WBCs could not produce an income statement or complete general ledger for FY 2018 and were unable to provide complete financial records. Program officials did not identify or correct these deficiencies because according to program officials, they did not establish a process or policy to define roles and responsibilities or coordinate prompt follow up on the financial examination recommendations. Because program officials did not analyze the results and take prompt corrective actions, program funds continue to be at risk of misuse.

Program Officials Did Not Ensure WBC's Met Financial Requirements

Program officials did not ensure that WBCs established effective internal controls to manage their cooperative agreement expenses in accordance with laws, regulations, and cooperative agreement requirements. This included unsupported matching funds; unsupported program income; unsupported, and unallowable personnel expenses; unallowable, unallocable and unsupported expenses in travel, contractual, other, and supplies cost categories; and unsupported expenses in the WBC's financial reports (See Table 1).

⁸ 2 CFR § 200.302 (b)(3).

Table 1. Issues Identified by WBCs in Sample, FY 2018 WBC Cooperative Agreements

Categories of Questioned Cost	WBC A	WBC B	WBC C	WBC D	WBC E	WBC F	WBC G	WBC H	WBC I	WBC J
Unsupported Matching Funds	Yes	Yes	Yes	Yes	--	--	--	--	Not tested	Not tested
Unsupported Program Income	Yes	--	--	--	--	Yes	--	Yes	Not tested	Not tested
Unsupported Personnel Expenses	Yes	Yes	--	Yes	Yes	--	--	Yes	Not tested	Not tested
Unallocable and Improperly Awarded Contracts	Yes	--	--	--	Yes	Yes	Yes	Yes	Not tested	Not tested
Unallowable, Unsupported, and Unallocable Travel, Supplies, and Other Expenses	Yes	Yes	--	Yes	--	Yes	Yes	Yes	Not tested	Not tested
Unsupported Expenses in Financial Reports	Yes	Yes	Yes	--	Yes	--	--	--	Not tested	Not tested
Unauthorized Budget Transfers	--	Yes	Yes	--	--	--	--	--	--	--
Inaccurate Financial Reports	--	--	--	Yes	--	--	--	--	Yes	--
Non-Compliant WBCs remained in the Program	--	--	--	--	--	--	--	--	Yes	Yes

Notes: See Table 3 in Appendix I to identify WBCs and the corresponding cooperative agreement. We did not test transactions for WBCs I and J. Instead, we questioned all costs incurred during the period when they were not operating.

Source: Generated by OIG based on OIG's analysis of WBC FY 2018 cooperative agreement and financial reports.

Unsupported Matching Funds. Program officials did not detect unsupported matching funds receipts totaling \$391,047 at 4 of the 10 sample WBCs. Under the Small Business Act, WBCs are required to match the federal funds in a particular project period.⁹ WBCs are required to maintain documentation supporting the source, amount, and timing of all matching funds claimed for a cooperative agreement.

In addition, WBCs must document that they received and spent the required amount of match funds to support project activities. If WBCs do not properly document the funds received, there is no clear way to be sure the WBCs used the money as the cooperative agreement requires.

⁹15 USC § 656 (c)(1).

Three of the 10 sample WBCs did not meet the federal match requirements after deducting the unsupported matching funds. SBA allowed these WBCs to retain a surplus of \$117,649 in federal funds, even though they did not fully meet the statutory match requirements. (See Appendix III).

Unsupported Program Income. The cooperative agreement terms and conditions require WBCs to maintain complete and accurate records and supporting documentation for a thorough financial audit or examination. Program officials did not detect unsupported revenue reported in program income for 3 of the 10 WBCs we reviewed. For example, one WBC reported that it earned program income of \$9,000 on its federal financial report but could only support \$4,960 of the reported program income. Another WBC was unable to support \$11,054 of reported program income.

Program officials said WBCs are required to maintain supporting documentation, so they consider a WBC director's signature on the financial reports to be certification that the information is accurate, and the expenses were for the allowed purposes. Without adequate documentation, we could not verify \$15,094 in unsupported program income.

Unsupported Personnel Expenses. Program officials did not detect that 5 of the 10 sample WBCs used \$158,633 in federal funds for unsupported personnel expenses. Program officials reimbursed the WBCs for the unsupported personnel expenses even though Federal regulations require charges for salaries and wages to be based on records that accurately reflect the work performed.¹⁰

Additionally, the cooperative agreement terms and conditions require the WBCs to maintain time and attendance of employees whose salaries are charged to the award, with sufficient detail to verify the claimed percentage of work they performed to support the project. We found multiple instances in which these five WBCs did not have timesheets to support all of the payroll payments. Three of the sample WBCs did not clearly identify the payroll payments on the general ledger.

Unallocable and Improperly Awarded Contracts. Program officials did not detect that 4 of the 10 WBCs in the sample did not establish reasonable methodology to allocate \$11,414 of contractual costs to federal funds. Federal award recipients must allocate costs using any reasonable documented basis.¹¹ If WBCs do not have documentation to show how contract costs were allocated, there's no way to be sure that they did not use federal taxpayer dollars for costs not associated with the cooperative agreement.

Program officials also did not detect that one of the WBCs in the sample did not get at least three qualified price quotes and inform program officials of the quote amounts in the corresponding payment request or financial report, which is required for contracts less than \$150,000. Program officials showed no evidence that the WBC included price quotes for any corresponding payment request or financial reports. Program officials told us that they could not locate any

¹⁰ 2 CFR § 200.430 (i)(1).

¹¹ 2 CFR § 200.405 (d).

documentation related to the contract. As a result, the WBC claimed \$31,215 of federal funds that it used for contractual services but could not demonstrate the contract was competitively awarded or that the costs were fair and reasonable.

Unallowable, Unsupported, and Unallocable Travel, Supplies, and Other Expenses. Program officials did not detect that 6 of the 10 sample WBCs used \$5,539 in federal funds for unallowable travel and supplies expenses, unsupported and unallocable travel, supplies, and other expenses. The cooperative agreement terms and conditions require WBCs to maintain copies of the supporting documentation for all expenses paid with project funds. Additionally, all expenses charged to project funds must be allowable, allocable, and reasonable under the federal cost principles.¹²

We also found 3 of the 10 sample WBCs did not distribute costs in reasonable proportions for allocating \$4,642. We determined these costs were not adequately supported to demonstrate the allocation method was accurate and reasonable (See Appendix IV).

Unsupported Expenses in Financial Reports. Program officials did not ensure the sample WBCs accounted for all reported expenses on both the financial reports and the general ledger. We found 4 of 10 WBCs reported expenses totaling \$22,709 in financial reports but did not account for these expenses on the general ledger. Federal regulations require WBCs to identify in accounts all federal awards funds received and expended.¹³ The terms and conditions of cooperative agreements also require WBCs to maintain complete and accurate records of financial activity.

Despite these requirements, program officials did not identify or question these discrepancies because they do not perform thorough reviews of the WBC's internal financial reports. The four WBCs included expenses in their requests for fund advancement and reimbursements that were not accounted for in their financial records. This resulted in the WBCs overstating costs incurred for their projects.

Unauthorized Budget Transfers. Program officials did not effectively oversee 2 of the 10 sample WBCs and ensure they complied with the cooperative agreement financial requirements. Program officials did not detect that the WBCs actual expenses exceeded budgeted amounts by more than 10 percent, for a total of \$28,089, without SBA's prior approval. The cooperative agreement terms and conditions authorized WBCs to transfer up to 10 percent of the total budget without obtaining prior approval (see Table 2).

¹² 2 CFR § 200.403-405.

¹³ 2 CFR § 200.302 (b)(1).

Table 2. WBC Budget Reallocation

WBC	Total Budget (\$)*	10 Percent of Total Budget (\$)	Actual Cumulative Expenses (\$)	Excess of 10 Percent of Actual (\$)
WBC B	302,604	30,260	32,752	2,491
WBC C	295,000	29,500	55,097	25,598
Total	\$597,604	\$59,760	\$87,849	\$28,089

Note: We excluded program income from the total budget because program officials did not consider program income in assessing WBC compliance with budget reallocation requirements.

Source: OIG analysis of WBC cooperative agreement and financial reports.

The FY 2018 cooperative agreement terms and conditions required WBCs to provide financial reports that included detailed information about actual expenses and a narrative explanation each time actual expenses exceeded budgeted amounts. The two WBC's financial reports did not include a comparison of actual expenses to budgeted amounts, nor did they include explanations for exceeding the budgeted amounts.

Program Officials Approved Payments to WBCs Before Ensuring WBCs Submitted Accurate Financial Reports. Program officials authorized advancement and reimbursement payments to 2 of the 10 sample WBCs before ensuring the WBCs had submitted accurate financial reports. According to the cooperative agreement terms and conditions, program officials must reconcile the detailed expenditure worksheet with the semiannual federal financial report, and the request for the advancement or reimbursement payment before authorizing fund payments.

The two WBCs submitted the required semiannual financial reports and program officials identified discrepancies in the WBCs financial information. Although program officials requested additional information and discrepancies had not been resolved, they advanced \$87,560 to the WBCs. If financial reports are not submitted on time and fully reconciled, program officials are unable to properly account for funds spent on WBCs and unable to verify if any undisbursed federal funds remain.

SBA Did Not Timely Remove Non-Compliant WBCs From the Program. SBA was aware of two WBCs' material noncompliance with federal regulations and cooperative agreements requirements, yet continued to allow the WBCs to participate in the program for three additional years and receive \$787,500 federal funds.¹⁴ SBA did not take action to remedy these WBCs' noncompliance until after we reported the material violations of the cooperative agreements.¹⁵ Examiners initially notified program officials of the material noncompliance during the review of FY 2015. Examiners detected problems and reported the findings to program officials. A program official alerted the WBCs of the examination findings and the actions needed to remedy the significant noncompliance and receive the full amount

¹⁴ Material noncompliance includes not having available client service facilities and service hours, staffing the WBCs with full-time program directors, and denying SBA OIG auditors access to its office location, personnel, and records during an unannounced site visit.

¹⁵ SBA OIG Report 19-20, Review of Women's Business Center, Inc., Compliance with Cooperative Agreement Requirements (September 19, 2019).

of federal funds for the center. However, the WBC's management complained, and SBA management directed program officials to disburse payments to the two WBCs, allowing the WBCs to dictate their level of compliance with the cooperative agreement terms and conditions.

SBA was unaware that as of June 2018, these WBCs were not in operation, were not accessible to the public for at least 40 hours per week, and did not have personnel working at the locations, in violation of the terms and conditions of the cooperative agreement.¹⁶ As a result, SBA incorrectly reimbursed the WBCs \$15,026 for claimed expenses from July 2018 to September 2018. SBA did not establish a policy or process to follow when higher level reviewers override lower-level reviewers' recommendations. As a result, SBA's ability to hold the WBCs accountable was diminished, which increased the risk of misuse of federal funds. However, SBA has since implemented all recommended corrective actions identified in Report 19-20 and its actions resolved the noncompliance's related to these WBCs.

Recommendations

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

1. Implement financial oversight procedures for the WBC program that ensure the program office enforces WBC cooperative agreement requirements. Program officials should ensure WBCs use federal funds only for allowable, allocable, and reasonable expenses, adhere to contract award procedures, and separate project costs by funding source.
2. Remedy \$523,790 in unsupported matching funds, unsupported program income, and the resulting portion of the federal funds reimbursed for the unmet match, and \$186,537 in unsupported expenses.
3. Recover \$31,215 for improperly awarded contracts and \$31,424 in unallowable or unallocable expenses.
4. Implement policies and procedures for conducting thorough financial compliance reviews and coordinate with the Office of Field Operations to train field office personnel responsible for semiannual site visits.
5. Establish policies holding program officials accountable for promptly following up on financial examination results and enforcing cooperative agreement requirements.
6. Require higher-level reviewers to clearly justify and document approving or denying disbursement of funds if the decisions differ from the recommendations of lower-level reviewers; justification documentation should be kept in the official cooperative agreement file.

¹⁶ Cooperative Agreement Notice of Award Section II.B and Appendix B.

7. Review expenses for the \$28,089 reallocation of budget expenses we detailed in this report to ensure these costs are allowable and document the rationale for the reallocation or recover costs that are unallowable.
8. Require program officials to enforce the cooperative agreement terms and conditions and deobligate or withhold payments if WBCs do not submit accurate financial reports on time.

Finding 2: SBA's Methodology for Evaluating Applicant Risk Resulted in Inadequate Oversight of WBCs' Use of Federal Funds

Federal regulations require that agencies develop and implement a framework to evaluate the risk posed by applicants before awarding federal funds.¹⁷ Without an effective risk assessment, SBA cannot reliably assure that WBCs are able to achieve program goals.

Although program officials implemented a framework and notified applicants of the risk factors to be considered in the FY 2018 funding opportunity announcement, as required by federal regulations, the methodology used was flawed and they did not adhere to it.¹⁸ Specifically, the methodology did not result in objectively identifying high-risk applicants subject to additional oversight and program officials used risk factors that were not identified in the funding opportunity announcement to assess applicants' risks. This occurred because program officials did not adhere to federal regulations, develop clear risk assessment questions, or assign appropriate weights to the risk factors.

Risk Assessment Questions

Although program officials developed a risk assessment tool to evaluate the risk factors identified in the FY 2018 funding opportunity announcement, the assessment was not adequate for objectively identifying high-risk applicants. The risk assessment questions were general and unspecific, and there were no definitions of terms to ensure consistency.

For example, one question asked if the WBC applicant was "generally in compliance with all Notice of Awards, rules, regulations, and circulars." However, program officials did not define "generally," which introduced subjectivity into the risk assessments. Another question asked program officials to assess whether the WBC had a "financial system in place including WBC director's control of the program budget and other financial transactions." However, program officials did not include instructions on how to determine the answer or specify what level of analysis would be necessary to determine if a WBC's financial system complied.

Weighting of Risk Factors

The rating system program officials developed did not appropriately identify and measure risk. The risk assessment tool included 10 questions about the risk factors. If the program official determined the applicant posed a risk for a particular assessment question, the applicant's risk score increased by two points. If a response indicated the applicant did not pose a risk, the applicant's risk score increased by one point. Using this scoring system, the lowest-rated applicants were scored 10 points and the highest-rated applicants were scored 20 points. Program officials established a score of 16 as high-risk. Because the assessment questions were not weighted in proportion to the significance of particular

¹⁷ 2 CFR § 200.205.

¹⁸ 2 CFR § 200.205 and 2 CFR § 200.203(c)(5).

risks, an applicant could pose a risk for 5 of the 10 questions in the assessment tool but still have an overall low risk score.

Applicants that were considered high risk, required additional monitoring and oversight during the performance period and were required to submit quarterly financial reports and audited financial statements for funding requests. Applicants with scores of 15 or less on the risk assessment were required to submit reports semiannually and permitted to request advancements of federal funds for three quarters of the award amount.

In FY 2018, program officials determined that 104, or nearly 90 percent, of 116 funded WBCs were low risk. In our sample of 10 WBC cooperative agreements awarded in FY 2018, 7 were ranked as low risk. However, we identified financial discrepancies in all 7 cooperative agreements, demonstrating the need for more stringent oversight, which would have been required under a higher risk designation.

We alerted program officials of our finding and program officials revised the risk assessment tool to include a moderate risk outcome and added details on the risk factors for low, moderate, or high risk. The tool also includes common attributes of awardees of low, moderate, or high risk. The assessment also now identifies which questions would result in automatic ineligibility to receive funds if answered “no.” Program officials implemented the revised risk assessment for the FY 2020 applicants. Although SBA has now revised its risk assessment tool, the WBC official standard operating procedures are outdated and do not include the process to evaluate risk.

Undisclosed Risk Factors

To ensure that agencies use fair and transparent merit review processes, federal regulations require clear description of all determining standards, or criteria, including any submeasures if the criteria vary in importance. Agencies must also specify the relative percentages, weights, or other means used to distinguish among criteria in the funding opportunity announcement.¹⁹

According to program officials, of the 12 WBC's rated as high-risk in FY 2018, 9 received a high-risk rating only because the WBCs were new recipients of a cooperative agreement. However, this factor was not one of the questions within the risk assessment and was not identified in the funding opportunity announcements. Neither the WBC program guidance nor standard operating procedures stated that being new to the program would be a factor in considering risk in the review process.

Program officials determined applicants new to the WBC program to be inherently high risk and required additional oversight. However, the funding announcement did not clearly explain how applicant proposals would be evaluated. Disclosing the assessment criteria would make the review process more transparent.

¹⁹ 2 CFR § 200, Appendix I.

Recommendations

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

9. Develop and implement procedures to ensure program officials objectively assess applicant risk to minimize the possibility of awarding cooperative agreements to WBCs not in compliance with program and financial requirements.
10. Require the Office of Women's Business Ownership to clarify in the public funding opportunity announcement, all review criteria and weights to be considered in the cooperative agreement award process, to improve transparency in the cooperative agreement review and decision-making process.

Analysis of Agency Response

SBA management provided formal comments that are included in their entirety in Appendix V. After receiving management's written comments, we followed up with program officials to clarify their proposed corrective actions and implementation timelines. SBA management agreed with all 10 recommendations and the proposed corrective actions resolve all recommendations.

Summary of Actions Necessary to Close the Recommendations

The following details the status of our recommendations and the actions necessary to close them.

Recommendation 1

Implement financial oversight procedures for the WBC program that ensure the program office enforces WBC cooperative agreement requirements. Program officials should ensure WBCs use federal funds only for allowable, allocable, and reasonable expenses, adhere to contract award procedures, and separate project costs by funding source.

Status: Resolved.

SBA management concurred with this recommendation and the Office of Women's Business Ownership plans to develop standard operating procedures for the Women's Business Center grant program that will be used to ensure staff are enforcing the requirements of the notice of award including compliance with federal requirements for grants management in 2 CFR 200 and program requirements in 13 CFR 131. Management plans to complete final action on this recommendation by December 31, 2021. This recommendation can be closed when program officials provide evidence that they implemented defined financial oversight procedures to ensure WBCs only use federal funds in accordance with cooperative agreement requirements and federal regulations.

Recommendation 2

Remedy \$523,790 in unsupported matching funds, unsupported program income, and the resulting portion of the federal funds reimbursed for the unmet match, and \$186,537 in unsupported expenses.

Status: Resolved.

SBA management concurred with this recommendation and the Office of Women's Business Ownership plans to recover funds from the WBCs for the questioned costs. According to our follow up with program officials, management plans to issue the repayment agreements by September 29, 2021. Once the agreements are approved, program officials informed us that SBA generally provides WBCs 3-years to repay the costs. SBA plans to complete final action on this recommendation by September 29, 2024. The agency's corrective actions to issue repayment agreements by September 29, 2021 is reasonable. However, the 3-year timeframes for the WBC's to repay the disallowed costs are excessive. We will monitor and regularly meet with program officials to discuss the agency's progress on recovering disallowed costs in a timely manner through the audit follow up process.

This recommendation can be closed when program officials provide evidence that they remedied or recovered \$523,790 in unsupported matching funds, unsupported program income, and the resulting portion of the federal funds reimbursed for the unmet match and \$186,537 in unsupported expenses.

Recommendation 3

Recover \$31,215 for improperly awarded contracts and \$31,424 in unallowable or unallocable expenses.

Status: Resolved.

SBA management concurred with this recommendation and the Office of Women's Business Ownership plans to recover funds from the WBCs with questioned costs identified in our findings. According to our follow up with program officials, management plans to issue the repayment agreements by September 29, 2021. Once the agreements are approved, program officials informed us that SBA generally provides WBCs 3-years to repay the costs. SBA plans to complete final action on this recommendation by September 29, 2024. The agency's corrective actions to issue repayment agreements by September 29, 2021 is reasonable. However, the 3-year timeframes for the WBC's to repay the disallowed costs are excessive. We will monitor and regularly meet with program officials to discuss the agency's progress on recovering disallowed costs in a timely manner through the audit follow up process.

This recommendation can be closed when program officials provide evidence that they recovered \$31,215 for improperly awarded contracts and \$31,424 in unallowable or unallocable expenses.

Recommendation 4

Implement policies and procedures for conducting thorough financial compliance reviews and coordinate with the Office of Field Operations to train field office personnel responsible for semiannual site visits.

Status: Resolved.

SBA management concurred with this recommendation and the Office of Women's Business Ownership plans to develop policies and procedures for conducting financial reviews. Program officials will train applicable Office of Field Operations staff. Management plans to complete final action on this recommendation by August 30, 2021. This recommendation can be closed when SBA program officials provide evidence that they implemented clearly defined policies and procedures for conducting thorough financial compliance reviews and provided training to field office personnel responsible for conducting the reviews.

Recommendation 5

Establish policies holding program officials accountable for promptly following up on financial examination results and enforcing cooperative agreement requirements.

Status: Resolved.

SBA management concurred with this recommendation and the Office of Women's Business Ownership plans to develop standard operating procedures for the Women's

Business Center grant program that will establish internal controls to ensure that examination results are resolved properly and timely. SBA management plans to complete final action on this recommendation by December 31, 2021. This recommendation can be closed when SBA program officials provide evidence that they implemented procedures holding program officials accountable for promptly following up on financial examination results and enforcing cooperative agreement requirements.

Recommendation 6

Require higher-level reviewers to clearly justify and document approving or denying disbursement of funds if the decisions differ from the recommendations of lower-level reviewers; justification documentation should be kept in the official cooperative agreement file.

Status: Resolved.

SBA management concurred with this recommendation. The Office of Women's Business Ownership plans to establish requirements and proper support documentation for denial decisions and payment requests, particularly when there are conflicted reviews.

Management plans to complete final action on this recommendation by December 31, 2021. This recommendation can be closed when SBA program officials provide evidence that they implemented requirements to justify and document payment approval or denial decisions that differ between program officials and maintain the justification in the official cooperative agreement file.

Recommendation 7

Review expenses for the \$28,089 reallocation of budget expenses we detailed in this report to ensure these costs are allowable and document the rationale for the reallocation or recover costs that are unallowable.

Status: Resolved.

SBA management concurred with this recommendation and plans to recover funds from the WBCs for the questioned costs. According to our follow up with program officials, they plan to issue the repayment agreements by September 29, 2021. Once the agreements are approved, program officials informed us that SBA generally provides WBCs 3-years to repay the costs. SBA plans to complete final action on this recommendation by September 29, 2024. The agency's corrective actions to issue repayment agreements by September 29, 2021 is reasonable. However, the 3-year timeframes for the WBC's to repay the disallowed costs are excessive. We will monitor and regularly meet with program officials to discuss the agency's progress on recovering disallowed costs in a timely manner through the audit follow up process.

This recommendation can be closed when SBA program officials provide evidence that they remedied or recovered \$28,089 in budget reallocations.

Recommendation 8

Require program officials to enforce the cooperative agreement terms and conditions and deobligate or withhold payments if WBCs do not submit accurate financial reports on time.

Status: Resolved.

SBA management concurred with this recommendation and the Office of Women's Business Ownership plans to develop standard operating procedures for the Women's Business Center grant program that will include provisions governing the deobligation and withholding of payments where documentation was inaccurate or not received timely. Management plans to complete final action on this recommendation by December 31, 2021. This recommendation can be closed when SBA provides evidence that they implemented procedures that enforce requirements for program officials to deobligate or withhold payments when WBCs do not submit timely financial reports.

Recommendation 9

Develop and implement procedures to ensure program officials objectively assess applicant risk to minimize the possibility of awarding cooperative agreements to WBCs not in compliance with program and financial requirements.

Status: Resolved.

SBA management concurred with this recommendation and the Office of Women's Business Ownership plans to implement policies and procedures to ensure it objectively assesses applicant risks to minimize the possibility of awarding cooperative agreements to WBCs not in compliance with program and financial requirements. Management plans to complete final action on this recommendation by April 30, 2021. This recommendation can be closed when SBA program officials provide evidence that they implemented procedures to objectively assess applicant risks.

Recommendation 10

Require the Office of Women's Business Ownership to clarify in the public funding opportunity announcement, all review criteria and weights to be considered in the cooperative agreement award process, to improve transparency in the cooperative agreement review and decision-making process.

Status: Resolved.

SBA management concurred with this recommendation and the Office of Women's Business Ownership plans to incorporate into its funding opportunity announcement the risk assessment criteria. Management plans to complete final action on this recommendation by April 30, 2021. This recommendation can be closed when SBA program officials provide evidence that they implemented all review criteria and assessment risk factor weights in the cooperative agreement award funding opportunity announcement.

Appendix I: Objective, Scope, and Methodology

Our audit objective was to determine whether SBA effectively oversees WBCs to ensure they comply with cooperative agreement financial requirements. Our scope of work focused on the WBCs FY 2018 financial reporting. In FY 2018, SBA awarded 116 cooperative agreements totaling \$16.4 million in federal funds to applicants in the WBC Program. The performance period was September 29, 2017, to September 30, 2018. To meet the objective, we judgmentally selected 10 WBC cooperative agreements totaling \$1.3 million in federal funds budgeted (See Table 3).

We categorized the universe of WBCs that had financial activity in FY 2018 using six risk factors: Hotline complaints, number of cooperative agreements, region, program office's risk assessments, organizational structure of the WBC, and the date of the most recent financial examination. We used the combined risk factors to determine cumulative risk score of each WBC. We also considered geographic locations of WBCs to visit.

We visited seven sites of host organizations or WBCs where 10 WBC cooperative agreements had been awarded, representing \$1.3 million, as follows: Rockville, Maryland; Hartford, Connecticut; Stamford, Connecticut (three cooperative agreements); White Plains, New York; Mobile, Alabama (two cooperative agreements); and New Orleans, Louisiana (two locations with one cooperative agreement each).

Table 3. Judgmentally Selected FY 2018 WBC Cooperative Agreement Actual Program Expenses

WBC Name	Cooperative Agreement Number	Federal Funds (\$)	Non-federal Match (\$)	Program Income (\$)	Total Program Funds Expended (\$)
Women's Enterprise Development Center, Inc.	SBAHQ-17-W-0021	150,000	166,298	9,000	325,298
The Goodwork Network	SBAHQ-17-W-0008	150,000	150,499	0	300,499
Urban League of Greater New Orleans	SBAHQ-17-W-0009	150,000	145,795	3,151	300,000
The University of Hartford	SBAHQ-15-W-0012	150,000	272,634	3,873	426,507
Rockville Economic Development, Inc.	SBAHQ-13-W-0048	150,000	386,248	36,000	572,248
Women's Business Development Council	SBAHQ-15-W-0015	150,000	148,375	2,744	301,119
Women's Business Development Council	SBAHQ-18-W-0004	75,000	38,185	\$0	113,185
Women's Business Development Council	SBAHQ-15-W-0004	150,000	143,048	8,310	301,358
Women's Business Center, Inc.	SBAHQ-17-W-0020	60,250	55,118	82	115,449
Women's Business Center, Inc.	SBAHQ-16-W-0019	83,456	64,442	8,392	156,290
Total	--	\$1,268,706	\$1,571,696	\$71,552	\$2,911,953

Source: OIG generated from the SBA semiannual detailed expenditures worksheets.

We reviewed the FY 2018 expenses and associated reimbursements of the WBCs we chose for the sample (see Table 3). We also reviewed SBA's funding opportunity announcements for FY 2018, technical proposals, and the terms and conditions in the FY 2018 cooperative agreement notices of award. We examined the 10 cooperative agreements' federal funds and non-federal funds general ledgers, reconciled the general ledgers to the semiannual federal financial reports and tested \$460,261 of expense transactions. We also reviewed applicable federal laws and regulations and SBA's program policies and procedures.

We interviewed SBA personnel from the Office of Entrepreneurial Development, the Office of Women's Business Ownership, the Office of Grants Management, and the Office of Field Operations involved in administering and monitoring WBC cooperative agreements. We interviewed WBC officials about their reporting procedures, accounting practices, and operations.

To determine if the WBC's financial expenses for FY18 were reasonable, allowable, and allocable, we tested transactions in the cost categories of personnel, travel, contractual, supplies, and other. We also judgmentally selected the personnel expenses in the last pay period for each quarter-end to test the payroll expenses.

For the remaining mentioned cost categories, we judgmentally selected six or seven of the highest dollar amount transactions for a total of approximately 25 transactions from the

WBCs' submitted detailed expenditure worksheet or the general ledger. If there were fewer than six transactions, we reviewed all transactions for the cost category.

We also tested to verify that WBCs recorded all reported project expenses in their general ledgers or financial system. We verified the accuracy of the transactions by reviewing supporting documentations obtained from the WBCs and compared the general ledger transaction amount with the documentation for completeness and accuracy. We later requested additional documentation to support reported revenue. However, the national quarantine caused by the coronavirus pandemic in early 2020 prevented WBC personnel from opening their offices to provide us more supporting documentation.

We did not test transactions at the two WBCs in Alabama. Instead, we questioned all costs incurred during the period when they were not operating.

Use of Computer-Processed Data

We relied on computer-processed data provided by SBA officials and WBC personnel. We used the list of all cooperative agreements' SBA awarded during FY 2018 stored in SBA's grant management system. We analyzed that list to determine our sample of 10 WBCs for audit analysis. We used pre-award and post-award financial documents in program office files maintained outside of the grant management system to confirm the reliability and accuracy of the data and believe the computer-processed information obtained from SBA is reliable for the purposes of this audit.

We also relied on the computer-processed data received from WBC personnel. We obtained transaction-level data including source documentation, such as general ledgers, payroll timesheets, time and attendance records, and cash receipts.

We tested the reliability of transaction-level data in the WBC's general ledgers by comparing accounting entries to source documents. While examining this information, we found data in the general ledgers was not consistent with the financial reports the WBCs had submitted to the program office. As a result of these discrepancies, we relied on the data maintained within the WBCs financial management systems instead of the data reported in the financial reports. We determined that the financial data received from WBC personnel was reliable to assess financial compliance and make recommendations based on our findings.

Review of Internal Controls

Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control" (July 15, 2016), guides federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on internal controls. Agencies are responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

During our review of SBA's administration and management of a sample of 10 WBC cooperative agreements, we identified deficiencies in SBA's oversight of the cooperative agreement financial requirements. SBA did not consistently request supporting documentation to justify decisions to award cooperative agreements. Additionally, program officials did not ensure that WBCs fully complied with the cooperative agreement

financial requirements. We made recommendations in this report to address these deficiencies.

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 objective. We believe that the evidence presented provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix II: Questioned Costs

Questioned costs are expenses not supported by adequate documentation at the time of the audit or which otherwise do not comply with legal, regulatory, or contractual requirements.

Table 4. OIG Schedule of Questioned Costs for the Sample of FY 2018 WBC Cooperative Agreements

Description	Amount (\$)	Explanation
Unsupported Cash Match Revenue	391,047	Insufficient supporting documentation for cash match revenues
Unallowable Federal Funds Expenses	117,649	Unallowable federal funds costs due to unmet match requirements
Unsupported Expenses	158,633	Insufficient supporting documentation for personnel expenses
Unsupported Expenses	22,709	Federal funds general ledger expense less than the detailed expenditure worksheet reported for personnel, travel, supplies, and other expenses cost categories
Unsupported Expenses	5,196	Travel, other, supplies, and cost category expenses missing receipts
Unallowable Expenses	31,154	Contract expenses not allowed by cooperative agreements
Unallowable Expenses	28,089	Cumulative cost category transfer increases above 10% of the total FY 2018 approved budget not allowed by cooperative agreements
Unallowable Expenses	15,026	July-Sept. 2018 costs for the two WBCs not allowed by terms and conditions of the cooperative agreements
Unallowable Expenses	403	Costs associated with meals during local travel, supplies, and contractual that did not meet the mission of the cooperative agreement
Unallocable Expenses	16,056	Costs allocated to the federal funds without adequate allocation methodology for travel, supplies, contractual, and other expenses cost categories
Unsupported Program Revenue	15,094	Insufficient supporting documentation for program income
Total Questioned Costs	\$801,056	--

Source: Generated by OIG based on OIG's analysis of WBC FY 2018 cooperative agreement and financial reports.

Appendix III: Calculation of Questioned Federal Costs Due to Unmet Match Requirements

We questioned expenses, matching contributions, and program income for all 10 WBCs we reviewed in our sample. Because of the unallowable, unallocable, unreasonable, or unsupported expenses and revenues, we determined that three of the WBCs did not meet the matching contribution requirements when we adjusted costs to account for our findings. As a result, we questioned \$117,648 of federal costs.

Table 5. OIG Schedule of Questioned Federal Costs Due to Unmet Match Requirements for Sample of FY 2018 WBC Cooperative Agreements

Description	WBC A (\$)	WBC B (\$)	WBC C (\$)
Claimed Federal Funds Income	150,000	150,000	150,000
Questioned Federal Funds Costs	29,031	75,104	2,758
Adjusted Federal Funds Costs	120,969	74,896	147,242
Claimed Matching Funds Income	166,298	150,499	145,795
Questioned Matching Funds	105,915	148,062	109,970
Adjusted Matching Funds	60,383	2,437	35,825
Claimed Program Income	9,000	0	3,151
Questioned Program Income	4,040	0	0
Adjusted Program Income	4,960	0	3,151
Claimed In-kind Contributions	0	0	1,053
Questioned In-kind Contributions	0	0	0
Adjusted In-kind Contributions	0	0	1,053
Adjusted Federal Funds Costs	120,969	74,896	147,242
Adjusted Matching Funds	60,383	2,437	35,825
Adjusted Program Income	4,960	0	3,151
Adjusted In-kind Contributions	0	0	1,053
Net Allowable Costs	186,312	77,333	187,272
Matching Requirement	50%	50%	50%
Allowable Federal Funds Costs	93,156	38,666	93,636
Adjusted Federal Funds Costs	120,969	74,896	147,242
Allowable Federal Funds Costs	93,156	38,666	93,636
Total Questioned Federal Funds Costs Due to Unmet Match Requirements	\$27,813	\$36,229	\$53,606

Source: OIG analysis of WBC FY 2018 cooperative agreements and financial reports.

Appendix IV. Summary of Unsupported, Unallowable, and Unallocable Travel, Other, and Supplies Costs

We questioned expenses, within the 10 WBCs we reviewed in our sample. Because of the unallowable, unallocable, unreasonable, or unsupported expenses, we questioned \$10,181 of federal costs.

Table 6. OIG Schedule of Unsupported, Unallowable, and Unallocable Travel, Other, and Supplies Costs for Sample of FY 2018 WBC Cooperative Agreements

Transaction Detail	Requirements	How Many WBCs in Sample	Amount (\$)
Unsupported Travel Expenses	Cooperative Agreement Terms and Conditions; 2 CFR § 200.403 (g)	5	919
Unallowable Food for Local Travel Expense	Cooperative Agreement Terms and Conditions	1	24
Unallocable Travel Employee Expense	2 CFR 200.405 (d)	1	68
Unsupported Counselor Dinner, Employee and Other Expenses	Cooperative Agreement Terms and Conditions; 2 CFR 200.403 (g)	4	495
Unallocable Rent, Employee and Other Expenses	2 CFR 200.405 (d)	3	3,902
Unreasonable Supplies Expense	2 CFR 200.404 (a) (d)	2	318
Unallocable Supplies	Cooperative Agreement Terms and Conditions; 2 CFR § 200.404 (e); 2 CFR 200.405 (d); and 2 CFR 200.309	3	672
Unsupported Supplies	2 CFR § 200.403 (g)	5	3,783
Total	--	--	\$10,181

Source: OIG analysis of transactions in audit sample.

Appendix V: Management Comments

SBA RESPONSE TO AUDIT REPORT



U.S. Small Business
Administration

DATE: March 29, 2021

TO: Hannibal “Mike” Ware
Inspector General

FROM: Mark Madrid
Associate Administrator
Office of Entrepreneurial Development

SUBJECT: Audit of SBA’s Oversight of Women’s Business Centers’ Compliance with Cooperative Agreement Financial Requirements

Thank you for the opportunity to respond to the draft report entitled, “Audit of SBA’s Oversight of Women’s Business Centers’ Compliance with Cooperative Agreement Financial Requirements (Project No. 19004A)”. The objective of this audit was to determine whether SBA conducted effective oversight over the WBC program.

The Office of Entrepreneurial Development (OED) appreciates the role that the Office of the Inspector General plays in working with the Agency’s management in ensuring our programs are effectively administered. We also appreciate the courtesies and cooperation extended to us during this audit and the collaborative way our teams worked together to complete this work.

As the Associate Administrator for OED, one of my priorities is to ensure our entrepreneurial development programs are effective, efficient, and provide a return on investment for the American taxpayers. In 2020, the Office of Women’s Business Ownership (OWBO) promulgated its first ever regulations, 13 CFR part 131, which have provided the foundation for monitoring and oversight of SBA’s network of Women’s Business Centers. I remain committed to implementing 13 CFR part 131; building the capacity of the field to support OWBO’s oversight of WBCs; and recouping disallowed funds where warranted.

We will continue to strengthen the Agency’s oversight and administration of the WBC program. The OED management team is committed to ensuring the Agency’s entrepreneurial development programs serve the Nation’s small businesses effectively and efficiently. We will work with alacrity to ensure the recommendations below are resolved.

Recommendation 1: Implement financial oversight procedures for the WBC program that ensure the program office enforces WBC cooperative agreement requirements. Program officials should ensure WBCs use federal funds only for allowable, allocable, and reasonable expenses, adhere to contract award procedures, and separate project costs by funding source.

Explanation of Proposed Action: OED agrees with this recommendation. OWBO will develop Standard Operating Procedures (SOP) for the Women’s Business Center grant program that will be used to ensure staff are enforcing the requirements of the notice of award and compliance with 2 CFR part 200 and 13 CFR part 131.

Status: Ongoing

Recommendation 2: Remedy \$508,696 in unsupported matching funds, unsupported program income, and the resulting portion of the federal funds reimbursed for the unmet match, and \$186,537 in unsupported expenses.

Explanation of Proposed Action: OED agrees with this recommendation. OWBO will recoup funds from the Women's Business Centers impacted by this finding.

Status: Ongoing.

Recommendation 3: Recover \$31,215 for improperly awarded contracts and \$31,424 in unallowable or unallocable expenses.

Explanation of Proposed Action: OED agrees with this recommendation. OWBO will recoup funds from the Women's Business Centers impacted by this finding.

Status: Ongoing.

Recommendation 4: Implement policies and procedures for conducting thorough financial compliance reviews and coordinate with the Office of Field Operations to train field office personnel responsible for semiannual site visits.

Explanation of Proposed Action: OED agrees with this recommendation. OWBO will develop policies and procedures governing the execution of financial reviews and will train impacted Office of Field Operations personnel.

Status: Ongoing.

Recommendation 5: Establish policies holding program officials accountable for promptly following up on financial examination results and enforcing cooperative agreement requirements.

Explanation of Proposed Action: OED agrees with this recommendation. OWBO will develop a SOP for the Women's Business Center grant program that will create internal controls to ensure that examination results are resolved properly and in a timely fashion.

Status: Ongoing.

Recommendation 6: Require higher-level reviewers to clearly justify and document approving or denying disbursement of funds if the decisions differ from the recommendations of lower-level reviewers; justification documentation should be kept in the official cooperative agreement file.

Explanation of Proposed Action: OED agrees with this recommendation. OWBO will develop a SOP that will establish the requirements and documentation needed to properly document the decisions of higher-level reviewers to deny or accept payments, when differing from lower-level reviewers. In addition, OWBO will ascertain if additional measures are warranted, such as incorporating those documentation requirements into higher official performance standards.

Status: Ongoing.

Recommendation 7: Review expenses for the \$28,089 reallocation of budget expenses we detailed in this report to ensure these costs are allowable and document the rationale for the reallocation or recover costs that are unallowable.

Explanation of Proposed Action: OED agrees with this recommendation. OWBO will recoup funds from the Women's Business Centers impacted by this finding.

Status: Ongoing.

Recommendation 8: Require program officials to enforce the cooperative agreement terms and conditions and deobligate or withhold payments if WBCs do not submit accurate financial reports on time.

Explanation of Proposed Action: OED agrees with this recommendation. OWBO will develop an SOP for the Women's Business Center grant program that will be used to ensure staff are enforcing the requirements of the notice of award and compliance with 2 CFR part 200 and 13 CFR part 131. The SOP will also include provisions governing the deobligation and withholding of payments where documentation was inaccurate or not received in a timely fashion from Women's Business Centers.

Status: Ongoing.

Recommendation 9: Develop and implement procedures to ensure program officials objectively assess applicant risk to minimize the possibility of awarding cooperative agreements to WBCs not in compliance with program and financial requirements.

Explanation of Proposed Action: OED agrees with this recommendation. OWBO will implement policies and procedures to ensure risk is objectively assessed to minimize the possibility of awarding cooperative agreements to Women's Business Centers not in compliance with program and financial requirements.

Status: Ongoing.

Recommendation 10: Require the Office of Women's Business Ownership to clarify in the public funding opportunity announcement, all review criteria, and weights to be considered in the cooperative agreement award process, to improve transparency in the cooperative agreement review and decision-making process.

Explanation of Proposed Action: OED agrees with this recommendation. OWBO will incorporate into its Funding Opportunity Announcements its risk assessment criteria.

Status: Ongoing.

Respectfully,



Mark L. Madrid

Associate Administrator

Office of Entrepreneurial Development

U.S. Small Business Administration