

SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2021 and 2020

Report 22-03 | October 28, 2021





EXECUTIVE SUMMARY

SBA'S CONTROLS OVER CASH CONTRIBUTIONS AND GIFTS, FISCAL YEARS 2021 AND 2020

What OIG Reviewed

This compliance report presents the results of our evaluation of the U.S. Small Business Administration's (SBA's) handling of cash contributions and gifts. The objective of the evaluation was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts.

To accomplish our objective, we reviewed various management and financial records, applicable laws, regulations, policies, and procedures, and SBA documents, such as financial management system reports and accounting records.

SBA's ability to receive and use gifts and donations is governed by the Consolidated Appropriations Act, which in 2021 and 2020 granted SBA the authority to accept gifts of up to \$4 million. Before SBA can accept a gift, the Office of General Counsel must determine there is no existing conflict of interest.

In addition, SBA must put any cash gifts into a separate account. The SBA Office of Inspector General (OIG) is responsible for semiannual audits to ensure the agency is appropriately using and accounting for such gifts.

To accomplish our objective, we reviewed various management and financial records, applicable laws, regulations, policies, procedures, and SBA documents, such as financial management system reports and accounting records.

What OIG Found

The only activity for this period of review relates to cash contributions for 2020 National Small Business Week. SBA complied with the Consolidated Appropriations Act, SBA regulations and policies regarding soliciting and accepting cash contributions.

SBA's Office of Communications and Public Liaison obtained proper approval from the Office of General Counsel for the 2020 National Small Business Week cosponsored activity.

The 10 entities that cosponsored the business week were properly vetted through SBA program offices to ensure no business relationship existed that would cause a conflict of interest. The 10 cosponsoring entities provided cash contributions totaling \$360,000.

We determined SBA adequately complied with applicable laws and SBA regulations and policies regarding the solicitation and acceptance of cash contributions for the 2020 National Small Business Week. However, we noted control deficiencies regarding the close out of 2020 National Small Business Week.

OIG Recommendations

This report contains two recommendations to ensure that all cosponsored activities are closed out in a timely manner in accordance with SBA standard operating procedures.

The report also includes one recommendation to ensure the accuracy and reliability of the fiscal agent's final report.

Agency Response

SBA management agrees with the findings and recommendations. Management's proposed actions to address the recommendations include clarifying language in the National Small Business Week cosponsorship agreement and joinder agreement to emphasize the 90-day close out for this activity.

Management also assigned staff to perform monthly reconciliations to ensure the fiscal agent reporting is accurate. We have included management's comments in Appendix II.



**Office of Inspector General
Small Business Administration**

DATE: October 28, 2021

TO: Isabella Casillas Guzman
Administrator

FROM: Hannibal "Mike" Ware 
Inspector General

SUBJECT: *SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2021 and 2020*

This compliance report presents the results of our evaluation of cash contributions and gifts to the Small Business Administration (SBA). We considered management's comments on the draft of this report when preparing the final report. Management agreed with the recommendations and its actions resolve the recommendations. We have included management's comments on this report in Appendix II. Based on management's comments, we consider the recommendations to be resolved pending final actions.

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

cc: Antwaun Griffin, Chief of Staff
Arthur Plews, Deputy Chief of Staff
Han Nguyen, Acting Associate Administrator, Office of Communications and Public Liaison
Jason Bossie, Acting Associate Administrator, Office of Performance, Planning,
and the Chief Financial Officer
Peggy Delinois Hamilton, General Counsel
Michael Simmons, Attorney Advisor, Office of General Counsel
Tonia Butler, Director, Office of Internal Controls
Rafaela Monchek, Director, Office of Continuous Operations and Risk Management

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Introduction

The U.S. Small Business Administration (SBA) occasionally receives gifts or offers to cosponsor activities for small businesses. Cosponsors may contribute products and services to support an activity instead of cash. The agency must use and record any gifts received as required by the Consolidated Appropriations Acts, SBA regulations and policies, and any terms imposed by the donor.

The Consolidated Appropriations Acts grant the SBA Administrator the authority to accept donations of cash and services on behalf of the agency.¹ SBA Standard Operating Procedure (SOP) 90 53, Gifts to the Agency, describes the legal authority, policy, and procedures for soliciting, approving, accepting, and using cash and in-kind gifts to the agency.

By law, the SBA Office of Inspector General (OIG) is required to audit the agency's cash gifts and donations semiannually.

SBA Cosponsored Activities

The Office of Strategic Alliances is the administrative office with the authority and responsibility to coordinate the development, implementation, and oversight of SBA's cosponsored activities. SOP 90 75 4, Outreach Activities, details SBA's policy on cosponsorships, strategic alliance memorandums, SBA-sponsored activities, and participation in third-party activities.²

Under the SOP, the originating office prepares and submits an SBA Form 1615, Cosponsorship Approval Request Form and cosponsorship agreement to the Office of Strategic Alliances. Cosponsors may contribute cash to support the cosponsored activity by writing a check or wiring funds to the fiscal agent. The fiscal agent is responsible for collecting, managing, and spending each cosponsor's cash contribution.

Once the Office of Strategic Alliances completes the vetting process for potential cosponsors, it forwards the results, cosponsorship agreement, and SBA Form 1615 to the Office of General Counsel for approval. The Office of General Counsel analyzes the proposal to determine whether a conflict of interest exists.

Objective

We assessed the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts from Fiscal Year 2020 and during the first 6 months of fiscal year (FY) 2021. The agency did not have any cash gifts activity in FY 2021.

¹ Consolidated Appropriations Act, 2020 (P.L. 116-93, 12/20/19) and Consolidated Appropriations Act, 2021 (P.L. 116-260, dated 12/27/20).

² SOP 90 75 4 was effective 2020 National Small Business Week.

Finding 1: SBA Complied with Solicitation and Acceptance of Cash Contributions

Our evaluation found that SBA adequately complied with applicable laws, SBA regulations and policies when soliciting and accepting cash contributions. SBA received \$360,000 in cash contributions from 10 donors to defray costs for the 2020 National Small Business Week.

The Office of Strategic Alliances vetted the donors and General Counsel determined the 10 entities did not create a conflict of interest for SBA. While the main event was originally planned for May 3-9, 2020 in Washington, DC, online, and other national activities, the Coronavirus Disease 2019 pandemic delayed and then led to a solely virtual event in September 2020.

Of the total \$360,000 in cash collected, \$122,058.38 was spent to support the virtual activities (see Table 1).

Table 1. 2020 National Small Business Week Expenses

Month Expensed	Description	Amount
May 2020	Check reorder	\$71.74
May 2020	Trophies	\$10,875.72
September 2020	SCORE - QuickBooks	\$37.50
October 2020	Select Communications	\$23,240
November 2020	Select Communications	\$87,332
December 2020	Frank's Engraving for awards	\$426.42
December 2020	SCORE - QuickBooks three months	\$75
Total	--	\$122,058.38

Because the event was held virtually, the agency did not incur all planned expenses which resulted in a surplus of cash remaining at the end of the activity. SOP 90 75 4, Outreach Activities, stipulates that the cosponsors may request SBA to direct its pro rata share of the surplus to the fiscal agent, provided that the fiscal agent agrees to make those funds available to that related future cosponsored activity. The fiscal agent could retain up to \$125,000 to carryover for related future activities.

Given the unusual circumstances in 2020, SBA overrode the \$125,000 carryover limit and allowed cosponsors to use their pro rata share of the 2020 surplus toward 2021 National Small Business Week. Consequently, \$237,941.62 carried over in the bank account maintained by the fiscal agent, SCORE, designated as the Small Business Week Cosponsorship Account.

During the first 6 months of FY 21, SBA did not have any activity regarding cash gifts.

Finding 2: SBA Did Not Close Out 2020 National Small Business Week in Accordance with SBA Policies

SBA closed out the requirements for the 2020 National Small Business Week activity over six months late. OIG has reported previously on the need for better controls over cosponsored activities. We previously reported the problem in OIG Report 21-10, *SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2019-20* (March 25, 2021). To address the recommendation in this report, the Office of Strategic Alliances developed a system to track all cosponsorships to ensure they are promptly closed out.

However, the Office of Strategic Alliances delayed close out activities for 2020 National Small Business because they wanted to confirm that cash contributions from all cosponsors was received. As a result, cash contributions were deposited into the account in March, and not accurately reported until 6 months following the activity.

Under SOP 90 75 4, the responsible program official is accountable for all income and expenses related to the activity and should use the fiscal agent's final accounting report to prepare the SBA Form 2299, Final Cosponsorship Report, on the results of the activity. The responsible program official must complete the form within 90 days of the conclusion of the cosponsored activity, which did not happen.

Since 2020 National Small Business Week took place in late September 2020, all close out documents should have been completed and dated before December 24, 2020. SBA Form 2299 and the fiscal agent final accounting report were dated June 2021.

We determined the Office of Strategic Alliances had not fully established adequate controls to ensure that the 2020 National Small Business Week cosponsorship would be closed out in a timely manner. We further noted there are conflicting directions in the cosponsorship agreement as to when the fiscal agent needs to report back to SBA.

In one section, the fiscal agent is given up to 90 days. Another section says it must be done after all the bills have been paid. The conflicting directives present challenges if the SBA is going to meet its own 90-day deadline.

While this discrepancy led to the untimely close out of 2020 National Small Business Week, the responsible program official is accountable to ensure the activity concludes in accordance with SOP 90 75 4.

Also, we noted that in its final report to SBA, the fiscal agent did not include \$40,000 in cash contributions. This error went undetected because the Office of Strategic Alliances did not reconcile the fiscal agent's close out report to the bank statements. We told SBA about the error and the fiscal agent corrected their final report.

However, as a result of inadequate controls over the close out of 2020 National Small Business Week, SBA did not comply with the requirements in SOP 90 75 4 and the fiscal agent final report was not accurate and reported cash balances could not be relied on.

Conclusion

Responsible program officials must oversee and account for all funds collected in support of cosponsored activities. In addition, responsible program officials and the designated fiscal agent must ensure the timely close out of cosponsorship activities. Robust review procedures minimize the risk of omitted financial information, undetected improper or inappropriate, unallowed, or even fraudulent activity.

Recommendations

We recommend that the Administrator direct the Associate Administrator for the Office of Communications and Public Liaison to work with the Director of Strategic Alliances to:

1. Establish and implement additional controls to ensure responsible officials follow SOP 90 75 4, as amended, closing out all cosponsored activities within 90 days as required.
2. Revise the cosponsorship agreement used for National Small Business Week to eliminate and clarify conflicting instructions to ensure all cosponsored activities can be closed out within 90 days in accordance with SOP 90 75 4, as amended.
3. Reconcile cash contributions reported by the fiscal agent using the cosponsors joinder agreements or the Small Business Week Cosponsorship Account bank statements to ensure the report is accurate and reliable.

Analysis of Agency Response

SBA management provided formal comments that are included as Appendix II to this report. Management agreed with the recommendations and its actions resolve the recommendations. Management will implement action to close these recommendations by February 10, 2022. We consider the three recommendations in this report to be resolved pending final actions.

Summary of Actions Necessary to Close the Report

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

1. **Resolved.** Management will include language in the joinders stating that payment will be made “within 30 days of execution of agreement or 2 weeks before NSBW starts, whichever comes first” or some other language which will give more opportunity for bills to be paid and closed within 90 days of the termination of the event. Management’s proposed actions satisfy the intent of the recommendation. This recommendation can be closed when management provides evidence that the joinder agreements have been modified in accordance with the proposed action.
2. **Resolved.** Management stated that fiscal agent responsibilities listed in the NSBW cosponsorship agreement will clearly outline the 90 days to maintain continuity between the SOP and the agreement. Management’s proposed actions satisfy the intent of the recommendation. This recommendation can be closed when management provides evidence that the NSBW cosponsorship agreement is modified in accordance with the proposed action.
3. **Resolved.** Management has assigned a staff member the task of monthly reporting reconciliation as well as the task of requesting this information on a monthly basis. Management’s proposed action satisfies the intent of the recommendation. This recommendation can be closed when management provides evidence that monthly reconciliations are being performed.

Appendix I: Objective, Scope and Methodology

This report presents the results of our evaluation of SBA's controls over 2021 and 2020 cash contributions and gifts. Our objective was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts.

To perform the evaluation, our scope included an assessment of activity that occurred during Fiscal Year 2020 and the first 6 months of Fiscal Year 2021. To achieve the objective, we generated a report depicting Business Assistance Trust Fund activity for FYs 2021 and 2020.

We filtered the data in the Business Assistance Trust Fund report to identify transactions that occurred during each fiscal year. The report showed no activity for FY 2021 and we concluded that we had tested all FY 2020 deposits and expenditures in prior OIG reports.³

To meet our objective, we tested the applicable transactions related to the solicitation and acceptance of cash contributions for the 2020 National Small Business Week cosponsored activity to assess the effectiveness of SBA controls over our objective.

We verified whether the Office of Strategic Alliances and General Counsel cooperated to ultimately approve the solicitation and acceptance of cash contributions from cosponsoring entities participating with the 2020 National Small Business Week. We did not find any significant concerns with the effectiveness of controls regarding the areas we tested.

We conducted this evaluation between May and June 2021 and in accordance with the Council of Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*. These standards require that we plan and perform the evaluation to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objectives.

Use of Computer-Processed Data

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

Review of Internal Controls

The Office of Management and Budget (OMB) Circular A-123 provides guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on internal controls.⁴

Management is also responsible for establishing and maintaining internal controls to achieve specific objectives for operations, reporting, and compliance. SBA has issued SOP 90 75 4 to address internal controls regarding the solicitation and acceptance of cash contributions and gifts. We used established criteria in the SOP for our testing.

³ SBA OIG Report 21-10, *SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2019-20* (March 25, 2021), and SBA OIG Report 20-06, *SBA's FY 2019 Cash Contributions and Gifts* (February 11, 2020).

⁴ OMB M-16-17, OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).

Prior Reports

Between 2015 and 2019, OIG issued the following reports related to the agency's gift authority:

- *SBA's FY 2018 and 2019 Cash Contributions and Gifts* (Report 19-14, June 19, 2019)
- *Evaluation of SBA Controls Over FY 2017 and 2018 Cash Contributions and Gifts* (Report 18-25, September 20, 2018)
- *Evaluation of SBA's FY 2016 and 2017 Cash Contributions and Gifts* (Report 18-05, November 20, 2017)
- *Evaluation of SBA's FY 2015 and 2016 Cash Gifts* (Report 16-21, August 23, 2016)

Nature of Limited or Omitted Information

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

Appendix II. Agency Comments

SBA Response to Compliance Report



U.S. Small Business
Administration

Memo for: Jeffrey Brindle
Director, IT and Financial Management Group
U.S. Small Business Administration

From: Susan Sweetser
Deputy AA for OCPL
Office of Communications and Public Liaison
U.S. Small Business Administration

Subject: Management Response: SBA Controls Over Cash Contributions and Gifts, FYs 2021 and 2020 Modernization Act

Date: October 18, 2021

We appreciate the opportunity to review the draft report entitled “SBA Controls Over Cash Contributions and Gifts, FYs 2021 and 2020.” We are comfortable with the Inspector General’s understanding and consideration of the unusual and new challenges the organization encountered during 2020 and 2021. We concur with the recommendations in the report. Please see our corrective action for each recommendation below. The final action (completion) date for the recommendations is **February 10, 2022**.

1. We recommend that the Administrator direct the Associate Administrator for the Office of Communications and Public Liaison to work with the Director of Strategic Alliances to establish and implement additional controls to ensure responsible officials follow SOP 90 75 4, as amended, closing out all cosponsored activities within 90 days as required.

OCPL/OSA will include language in the joinders stating that payment will be made “within 30 days of execution of agreement or 2 weeks before NSBW starts, whichever comes first” or some other language which will give more opportunity for bills to be paid and closed within 90 days of the termination of the event.
2. We recommend that the Administrator direct the Associate Administrator for the Office of Communications and Public Liaison to work with the Director of Strategic Alliances to revise the Cosponsorship agreement used for National Small Business Week to eliminate and clarify conflicting instructions to ensure all cosponsored activities can be closed out within 90 days in accordance with SOP 90 75 4, as amended.

Fiscal agent responsibilities listed in the NSBW cosponsorship agreement will clearly outline the 90 days to maintain continuity between the SOP and the agreement.
3. We recommend that the Administrator direct the Associate Administrator for the Office of Communications and Public Liaison to work with the Director of Strategic Alliances to reconcile cash contributions reported by the fiscal agent using the cosponsors joinder agreements or the Small Business Week Cosponsorship Account bank statements to ensure the report is accurate and reliable.

An OCPL/OSA staff member has been assigned the task of monthly reporting reconciliation as well as the task of requesting this information on a monthly basis.

The Office Communications and Public Liaison will diligently pursue efforts to control oversight and management of cash contributions and gifts going forward.

Sincerely,
Susan Sweetser
Deputy AA OCPL