

SBA'S CONTROLS OVER CASH CONTRIBUTIONS AND GIFTS, FISCAL YEARS 2022 AND 2021

REPORT 22-14 | JUNE 15, 2022





EXECUTIVE SUMMARY

SBA'S CONTROLS OVER CASH CONTRIBUTIONS AND GIFTS, FISCAL YEARS 2022 AND 2021

Report 22-14
June 15, 2022

What OIG Reviewed

This report presents the results of our evaluation of the U.S. Small Business Administration's (SBA) 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 meet 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.

SBA's ability to receive and use gifts and cash contributions comes from the Consolidated Appropriations Act, which in 2021 extended 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.

What OIG Found

We found that SBA complied with the 2021 Consolidated Appropriations Act, SBA regulations and policies regarding soliciting and accepting cash contributions for National Small Business Week 2021. SBA's Office of Communications and Public Liaison obtained proper approval from the Office of General Counsel for the 2021 National Small Business Week cosponsored activity.

SBA certified the entities that cosponsored business week were vetted through the program offices to ensure no business relationship existed that would cause a conflict of interest. The nine cosponsoring entities gave cash contributions totaling \$75,105.79 and an additional \$237,941.62 was carried over from business week 2020 to be used for business week 2021.

We determined SBA adequately complied with applicable laws and SBA regulations and policies

for the solicitation and acceptance of cash contributions for the 2021 National Small Business Week. We also determined SBA adequately complied with SBA regulations and policies regarding the use of cash gift funds.

However, we noted continuing deficiencies in the closeout and administrative controls for National Small Business Week 2021.

Recommendations

We recommended the agency enhance the tracking system with alerts to ensure responsible officials close out all cosponsored activities within 90 days, as required.

We also recommended the agency implement quality control procedures to ensure that required fiscal agent and SBA documents for future National Small Business Week cosponsored activities are timely, complete, accurate, and can be relied on.

Agency Comments

SBA provided written responses that were considered in finalizing the report. SBA management agreed with both of our recommendations.



Office of Inspector General U.S. Small Business Administration

DATE: June 15, 2022

TO: Isabella Casillas Guzman
Administrator

FROM: Hannibal "Mike" Ware
Inspector General 

SUBJECT: SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2022 and 2021

I am pleased to present the results of our report on *SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2022 and 2021*. Management agreed with both of our recommendations.

We appreciate the cooperation and courtesies your staff continues to show us as we work together to combat waste, fraud, and abuse in SBA. If you have any questions or need additional information, please contact me or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

cc: Arthur Plews, Chief of Staff
Han Nguyen, Acting Associate Administrator, Office of Communications and Public Liaison
Kate Aaby, Associate Administrator, Office of Performance, Planning, and the Chief Financial Officer
Erica Gaddy, Deputy Chief Financial Officer
Therese Meers, Acting General Counsel
Michael Simmons, Attorney Advisor, Office of General Counsel
Tonia Butler, Director, Office of Internal Controls

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Introduction

The 2021 Consolidated Appropriations Act extends the U.S. Small Business Administration (SBA) Administrator the authority to accept donations of cash and services to the agency.¹ The SBA occasionally receives gifts or offers to cosponsor activities for small businesses. Cosponsors may contribute products and services instead of cash to support an activity.

The agency must use and record any gifts received, as required by the Consolidated Appropriations Act, SBA regulations and policies, and any terms imposed by the donor. 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 5, Outreach Activities and Agreements, details SBA's policy on cosponsorships, strategic alliance memorandums, SBA-sponsored activities, and participation in third-party activities.

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 the party responsible for collecting, managing, and spending each cosponsor's cash contribution. Once SBA personnel have completed the vetting process for potential cosponsors, the Office of Strategic Alliances forwards the results, cosponsorship agreement, and SBA Form 1615 to the Office of General Counsel for approval. The Office of General Counsel analyzes the results to determine whether a conflict of interest exists.

Excess funds are the contributed cash or collected fees that are left over after expenses are subtracted from the revenues. For the National Small Business Week cosponsored activity organized by SBA Headquarters only, the cosponsors may elect to have their pro rata share of the excess funds remain with the fiscal agent if the fiscal agent agrees to make those funds available for the next National Small Business Week cosponsored activity.

The 2020 business week cosponsors agreed to carryover excess funds totaling \$237,941.62 out of the total \$313,147.41 in cash collections to be maintained in the fiscal agent's bank account and used for National Small Business Week 2021.

OIG has reported previously on the need for better controls over the closeout of cosponsored activities. In 2021, officials in the Office of Strategic Alliances provided evidence that they had developed a system to track all cosponsorships to ensure timely

¹ Consolidated Appropriations Act, 2021 (P.L. 116-260, dated December 27, 2020).

closeout and address the recommendations in our earlier reports. In 2021, officials also revised the fiscal agent section of the 2022 business week agreement to eliminate and clarify conflicting instructions to ensure all cosponsored activities are closed out within 90 days in accordance with SOP 90 75 5, as required. Although they did what we asked, they still had issues closing out in a timely manner in accordance with the SOP.

Objective

Our objective was to assess the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts from April 2021 to January 2022. The agency did not receive any cash gifts during our review period.

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

Our evaluation found that SBA adequately complied with applicable laws and SBA regulations and policies when soliciting and accepting cash contributions. SBA received \$313,147.41 in cash contributions from numerous entities to defray costs for National Small Business Week 2021.

Officials in the Office of Strategic Alliances certified that they vetted the entities, and the Office of General Counsel determined the entities did not create a conflict of interest for SBA. The virtual activity happened September 13-15, 2021.

The agency spent \$213,073.09 of the total \$313,147.41 in cash collections to support virtual activities (see Table 1).

Table 1. 2021 National Small Business Week Expenses

Month (2021)	Expense	Amount (dollars)
August	NTT Platform	75,741.84
September	Upwork reimbursement to SCORE	43,558.10
October	Upwork reimbursement to SCORE	43,823.15
October	NTT Cloud – refunds on C258031 taxes	3,478.13
October	NTT NSBW Platform	53,308.13
December	QuickBooks (\$40 per month in October, November, and December 2021)	120.00
Total	--	\$213,073.09

During the review period, SBA officials also used \$350 of existing trust funds to support the Wichita District Office’s outreach activities (see Table 2). We concluded the expenses were acceptable uses of the trust funds under SBA regulations and policies. During our review period, SBA did not receive any cash gifts.

Table 2. 2021 Use of Trust Funds

Month (2021)	Expense	Amount (dollars)
July	Meeting room for Emerging Leaders program	100
October	Meeting room for Emerging Leaders finale program	250
Total	--	\$350.00

Finding 2: Improvement Needed in Administrative Controls and Closeout of National Small Business Week 2021

Under SOP 90 75 5, the responsible program official is accountable for all income and expenses related to an activity and should use the fiscal agent's final accounting report to prepare the SBA Form 2299, Final Cosponsorship Report. The responsible program official must complete the form within 90 days of the conclusion of the cosponsored activity.

However, the responsible program official did not complete the form within 90 days of the activity. National Small Business Week 2021 took place September 13-15, 2021. Consequently, SBA Form 2299 should have been completed and dated by December 15, 2021.

Timely closeout has been a recurring problem. We have reported the deficiency in two recent cash contributions and gifts audit reports (see Appendix 1).

SBA's Office of Strategic Alliances is responsible for the prompt closeout of National Small Business Week and for maintaining a complete cosponsorship file. However, SBA officials did not begin the closeout process until January 31, 2022, completing the work February 7, 2022, after we held our first audit meeting with the Office of Strategic Alliances. An official in the Office of Strategic Alliances stated that National Small Business Week 2021 was not closed out in December 2021 because their office was waiting to receive the cash contributions from some cosponsors.

To address a prior year OIG recommendation, the Office of Strategic Alliances revised the responsibilities section in the cosponsors 2022 National Small Business Week joinder agreement. In the revised agreement, the cosponsors will pay the cash contribution within 30 days after signing the agreement with SBA. If the fiscal agent does not receive a cosponsors cash contribution within 30 days, the agreement will be voidable.

While the Office of Strategic Alliances was waiting to receive cash contributions from some cosponsors, we determined the untimely closeout for National Small Business Week 2021 again occurred because the Office of Strategic Alliances did not timely coordinate with the fiscal agent to receive their final report in December 2021 to complete the SBA Form 2299.

We also found administrative control deficiencies in the closeout documentation during our review. We thoroughly reviewed the agency's internal reconciliation spreadsheet (filename NSBW 2021.xlsx) and found the agency record had the following administrative control deficiencies:

- Erroneously used \$266,180.69 instead of \$237,941.62 as the excess funds carried over from National Small Business Week 2020 to 2021.
- Included \$150,000 as a cash contribution from a cosponsor that did not make a cash contribution.
- Erroneously included \$150,000 in the total expenses.
- Reported a \$43,823.15 expense as 43.823.15; the typo caused the amount to not be included in the total expenses.

- Omitted a \$20,171.53 cash deposit included in the fiscal agent report and bank statement.
- Omitted a \$10,171.53 cash deposit included in the fiscal agent report and bank statement.
- Omitted a \$120 fiscal agent expense for QuickBooks covering \$40 per month for October, November, and December.
- Omitted a \$-3,478.13 vendor credit that offset expenses.

We determined the deficiencies occurred because the Office of Strategic Alliances did not timely coordinate with the fiscal agent to receive their final accounting report. In addition, we found the Office of Strategic Alliances did not implement effective controls to ensure the accuracy and completeness of documents in the official file of the National Small Business Week 2021 cosponsorship activity.

As a result of inadequate closeout and administrative controls over National Small Business Week 2021, SBA did not comply with the requirements in SOP 90 75 5 and SBA Form 2299 was not accurate. Moreover, there is no assurance that cash contributions and expenditures were properly accounted for.

Conclusion

The agency must ensure that all responsible program officials 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 closeout of cosponsorship activities. Agency officials need robust review procedures to minimize the risks of omitted financial information and undetected improper, 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. Enhance the tracking system to include alerts to ensure the responsible program official timely coordinates with the fiscal agent to receive the final accounting report and uses the report to close out all cosponsored activities within 90 days, as required by SOP 90 75 5. In the event the fiscal agent receives cash contributions or pays expenses after submitting their final report to the responsible program official, the fiscal agent should amend their accounting report and submit their report to the responsible program official to amend the report and update the SBA Form 2299.
2. Implement quality control procedures to ensure that required fiscal agent and SBA documents for future National Small Business Week cosponsored activities are timely, complete, accurate, and can be relied on.

Analysis of Agency Response

SBA management concurred with the two recommendations in the draft report. The status of our recommendations and actions necessary to close them are as follows:

Recommendation 1 Enhance the tracking system to include alerts to ensure the responsible program official timely coordinates with the fiscal agent to receive the final accounting report and uses the report to close out all cosponsored activities within 90 days, as required by SOP 90 75 5. In the event the fiscal agent receives cash contributions or pays expenses after submitting their final report to the responsible program official, the fiscal agent should amend their accounting report and submit their report to the responsible program official to amend the report and update the SBA Form 2299.

Status: Resolved

SBA management agreed with this recommendation and has begun implementing solutions to better track and oversee activities for National Small Business Week. For National Small Business Week 2022, management assigned a staff member to regularly review cosponsorship payment activity, contribution deadlines, and timely submission of fiscal agent account reporting. Management intends to complete final action on this recommendation by August 4, 2022. This recommendation can be closed when SBA management submits a detailed final budget and SBA Form 2299 by the due date.

Recommendation 2 Implement quality control procedures to ensure that required fiscal agent and SBA documents for future National Small Business Week cosponsored activities are timely, complete, accurate, and can be relied on.

Status: Resolved

SBA management agreed with this recommendation has begun implementing quality control procedures to ensure that monthly documents received from the fiscal agent are accurate and visible by both SBA and fiscal agent, and the National Small Business Week budget kept up to date. The new process includes a Microsoft Office 365 SharePoint website which includes National Small Business Week stored documents. Management intends to complete final action on this recommendation by August 4, 2022. This recommendation can also be closed when SBA management submits a complete, accurate final budget and SBA Form 2299 by the due date.

Appendix I: Objective, Scope, and Methodology

This report presents the results of our evaluation of SBA's controls over 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 meet our objective, we assessed expenses and gifts to the agency from April 2021 to January 2022 using a report of Business Assistance Trust Fund activity for fiscal years (FYs) 2022 and 2021.

We tested the applicable transactions related to soliciting and accepting cash contributions for the 2021 National Small Business Week cosponsored activity to assess the effectiveness of SBA controls. We verified that the Office of Strategic Alliances and General Counsel had cooperated to ultimately approve the solicitation and acceptance of cash contributions from cosponsoring entities participating with the National Small Business Week 2021. We tested expenses to ensure that uses of the trust funds were acceptable under applicable laws, and SBA regulations and policies.

We conducted this evaluation between January and March 2022 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 generated from the Joint Administrative Accounting Management System. SBA identified the entities who donated cash contributions. We believe the information is reliable for the purposes of this evaluation.

Review of Internal Controls

Management is responsible for establishing and maintaining internal controls to achieve specific objectives for operations, reporting, and compliance. SBA has issued SOP 90 75 5 to address internal controls regarding the solicitation and acceptance of cash contributions and gifts. We used established criteria in the SOP for our testing.

Office of Management and Budget Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, (July 15, 2016) 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.

Prior Coverage

Between 2017 and 2021, OIG issued the following reports related to the agency's authority to solicit, accept, and account for cash gifts and contributions:

SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2021 and 2020, OIG Report 22-03, October 28, 2021

SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2019-20, Report 21-10, March 25, 2021

SBA's FY 2019 Cash Contributions and Gifts, Report 20-06, February 11, 2020

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

Nature of Limited or Omitted Information

We did not omit any information due to confidentiality or sensitivity, nor were there limitations to information during this evaluation.

Appendix II: Management Response

SBA RESPONSE TO REPORT



Date: June 2, 2022

To: Hannibal “Mike” Ware, Inspector General

From: Han Nguyen, Associate Administrator (Acting)
Office of Communications and Public Liaison

A handwritten signature in black ink, appearing to read 'Han Nguyen', written over the text of the 'From' field.

Subject: Response to OIG Draft Report titled, SBA’s Controls Over Cash Contributions and Gifts, Fiscal Years 2022 and 2021 (Project Number 22003)

Thank you for providing the Office of Communications and Public Liaison (OCPL) the opportunity to respond to OIG’s Draft Report titled, SBA’s Controls Over Cash Contributions and Gifts, Fiscal Years 2022 and 2021 (Project Number 22003).

OIG Recommendation 1. Enhance the tracking system to include alerts to ensure the responsible program official timely coordinates with the fiscal agent to receive the final accounting report and uses the report to close out all cosponsored activities within 90 days, as required by SOP 90 75 5. In the event the fiscal agent receives cash contributions or pays expenses after submitting their final report to the responsible program official, the fiscal agent should amend their accounting report and submit their report to the responsible program official to amend the report and update the SBA Form 2299.

SBA Response: SBA concurs with this recommendation. To address the NSBW concerns raised in late 2021, OSA rewrote the NSBW cosponsor agreements to ensure that all payments were received before NSBW 2022. The tracking system process improved during NSBW 2022 to include an OSA staff member who regularly reviewed cosponsorship payment activity, contribution deadlines and timely submission of fiscal agent account reporting. Cosponsorship payments in 2022 were on-time and reported by the fiscal agent. Following the conclusion of NSBW 2022 OSA will submit a detailed final budget and include SBA Form 2299 by the due date. OCPL is targeting the date of August 4, 2022 to complete final action for this recommendation.

OIG Recommendation 2. Implement quality control procedures to ensure that required fiscal agent and SBA documents for future National Small Business Week cosponsored activities are timely, complete, accurate, and can be relied on.

SBA Response: SBA concurs with this recommendation. To address this issue, in FY22 an OSA staff member was assigned the task of working with the NSBW fiscal agent and ensuring that monthly documents received from the fiscal agent were accurate and visible by both SBA and fiscal agent, and the NSBW budget kept up to date. The new process includes a Microsoft office 365 SharePoint website which includes NSBW stored documents. Documents stored include monthly bank statements, bills, deposits, donor invoices (joinder agreement number), the fiscal agent accounting team collects e-mails and financials. The shared files are accessible and readily available by members of the OCPL Team. OCPL is targeting the date of August 4, 2022 to complete final action for this recommendation.

Summary Response

SBA prioritized corrective efforts and followed the recommendations of the auditor during and following National Small Business Week 2022 activities.

The controls established allowed SBA to move forward prospectively improving the U.S. Small Business Administration's (SBA) handling of cash contributions and gifts.

Enhanced financial data tracking and revisions to NSBW joinder agreements by SBA's Office of Strategic Alliances (OSA) allowed SBA and its fiscal agents to manage the NSBW 2022 budget and ensure timely accounting reports for completeness and accuracy.

SBA's OCPL "Acting" Associate Administrator and OCPL's "Acting" Deputy Associate Administrator will oversee and account for all funds collected in support of NSBW 2022 and provide OIG with a final accounting report no later than the NSBW 2022 closeout deadline of August 4, 2022. SBA will comply with the requirements in SOP 90 75 5 and provide an accurate SBA Form 2299 to include all expenditures and proper accounting.

SBA will continue to review procedures to minimize the risks of omitted financial information and undetected improper, inappropriate, unallowed, or even fraudulent activity for all future NSBW activities.