

SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2023 and 2022



Evaluation Report

Report No. 23-06

April 27, 2023



U.S. Small Business Administration Office of Inspector General

EXECUTIVE SUMMARY

SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2023 and 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, and SBA documents such as financial management system reports and accounting records.

SBA's authority to receive and use cash contributions and gifts is found in Section 132(a) of Division K in Public Law 108-447. The Consolidated Appropriations Acts, 2023 and 2022, grant SBA the ability to accept gifts of up to \$4 million.

Before the agency can accept a gift, the SBA 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 SBA complied with the Consolidated Appropriations Acts, 2023 and 2022, and SBA regulations and policies regarding soliciting and accepting cash contributions for National Small Business Week 2023 (Business Week). SBA's Office of Communications & Public Liaison obtained proper approval from the Office of

General Counsel for the Business Week cosponsored activity. SBA certified the 10 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 cosponsoring entities gave cash contributions totaling \$420,000 to defray the cost of Business Week activities.

The agency also used \$9,813.54 from SBA's Business Assistance Trust Fund to support outreach activities for small businesses and the cosponsored Business Week activity. We found these expenses were acceptable uses of the trust funds.

We did not test holding because the agency did not receive any cash gifts during this review period.

What OIG Recommended

This report does not include recommendations.

Agency Response

SBA management agreed with our report.



**OFFICE OF INSPECTOR GENERAL
U.S. SMALL BUSINESS ADMINISTRATION**

MEMORANDUM

Date: April 27, 2023

To: Isabella Casillas Guzman
Administrator

From: Hannibal "Mike" Ware
Inspector General

A handwritten signature in black ink, appearing to read "H. Ware".

Subject: SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2023 and 2022
(Report 23-06)

This report represents the results of our evaluation of the agency's handling of cash contributions and gifts. We considered management comments on the draft of this report when preparing the final report. SBA management agreed with our report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions, please contact me or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

cc: Arthur Plews, Chief of Staff, Office of the Administrator
Christina Hale, Associate Administrator, Office of Communications & Public Liaison
Han Nguyen, Deputy Associate Administrator, Office of Communications & Public Liaison
Katherine Aaby, Associate Administrator, Office of Performance, Planning, and the
Chief Financial Officer
Therese Meers, General Counsel, Office of General Counsel
Michael Simmons, Attorney Advisor, Office of General Counsel
Cindy Pitts, Acting Director, Office of Continuous Operations and Risk Management
Tonia Butler, Director, Internal Controls Division at Federal Government

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Introduction

The Consolidated Appropriations Acts, 2023 and 2022, extend to the U.S. Small Business Administration (SBA) Administrator the ability to accept donations of cash and services to the agency.¹ 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.

By law, all gifts donated to SBA must be deposited into the U.S. Treasury as “trust funds.” To comply with this requirement, SBA established the Business Assistance Trust Fund as a revolving trust fund into which this money must be deposited. The law also requires the SBA Office of Inspector General (OIG) to audit the agency’s cash donations and gifts semiannually.

Background

Standard Operating Procedure (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. The Office of Strategic Alliances Director has a general duty to monitor all cosponsored activities and address problems and concerns of which the Director is made aware. The Office of Strategic Alliances is responsible for maintaining the official cosponsorship files.

Under the SOP, the originating office prepares and submits SBA Form 1615, Cosponsorship Approval Request, and a cosponsorship agreement to the Office of Strategic Alliances. Once SBA personnel have completed vetting 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 SBA Office of General Counsel analyzes the results to determine whether a conflict of interest exists.

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. Excess funds are the contributed cash or collected fees that are left over after expenses are subtracted from the revenues.

¹ Consolidated Appropriations Act of 2023, Public Law (P.L.) 117-328 (December 29, 2022) and Consolidated Appropriations Act of 2022, P.L. 117-103 (March 15, 2022).

SBA 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, including the procedures for administration of the Business Assistance Trust Fund. The agency must use and record any gifts received as required by the law, SBA regulations and policies, and any terms determined by the donor.

Objective

Our objective was to assess the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts from August 2022 to February 2023. We did not test holding because the agency did not receive any cash gifts during this review period.

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

Our review found that SBA adequately complied with laws and SBA regulations and policies when soliciting and accepting cash contributions and using trust funds. Ten entities cosponsored National Small Business Week 2023 (Business Week); however, one of the entities did not contribute cash and will serve as the fiscal agent. To defray costs for Business Week, SBA received \$420,000 in cash contributions from nine donors. Planned activities for Business Week included an awards ceremony in Washington, D.C., a virtual conference, and up to four in-person events.

The Office Strategic Alliances vetted, and general counsel determined, that the 10 cosponsoring entities did not have a conflict of interest with SBA.² The agency used \$9,813.54 (table 1) of trust funds to provide outreach activities for small businesses and support Business Week. We concluded the expenses were acceptable uses of the trust funds under applicable laws and SBA regulations and policies.

Table 1: Use of Trust Funds

Expense	Month	Amount (dollars)
Rural outreach and small business technical assistance to underserved communities in southwest Ohio at the Warren County Fair	July 2022	\$325
Rural outreach and small business technical assistance to underserved communities in southwest Ohio at the Butler County Fair	July 2022	550
Rural outreach and small business technical assistance to underserved communities in southwest Ohio at the Highland County Fair	September 2022	128.75
THRIVE Outreach Luncheon	December 2022	476.59
Event planner for Business Week	December 2022 to January 2023	8,330.20
Total		\$9,813.54

Source: Auditor analysis.

² Vetting is the process of gathering information about a potential cosponsor or donor to identify a prohibited source and/or allow the general counsel or designee to make a conflict-of-interest determination when appropriate.

Appendix 1: Additional Information

Scope and Methodology

This report presents the results of our review of SBA's controls over cash contributions and gifts, fiscal years 2023 and 2022. Our objective was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts. We did not test holding because the agency did not receive any cash gifts during this review period.

To meet our objective, we tested the applicable transactions related to solicitation and acceptance of cash contributions for the Business Week cosponsored activity to assess the effectiveness of SBA controls. We verified the SBA Offices of Strategic Alliances and General Counsel had cooperated to approve the solicitation and acceptance of cash contributions from cosponsoring entities participating in Business Week activities. We also assessed applicable expenses that occurred between August 2022 and February 2023 using a report of Business Assistance Trust Fund activity for fiscal years 2022 and 2023. 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 February and March 2023 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. These standards require that we plan and perform an 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 and provided by SBA program offices, as well as reports generated from SBA's 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 issued SOP 90 75 5 and SOP 90 53 to address internal controls regarding the solicitation and acceptance of cash contributions and gifts. We used established criteria in the SOPs for our testing.

Office of Management and Budget (OMB) Memorandum M-16-17, 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 Audit Coverage

The following lists OIG's recent audit coverage related to the objective of this report:

Report Number	Report Title	Final Report Date
<u>OIG Report 23-04</u>	SBA's Controls Over Cash Contributions and Gifts, Fiscal Year 2022	December 19, 2022
<u>OIG Report 22-14</u>	SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2022 and 2021	June 15, 2022
<u>OIG Report 22-03</u>	SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2021 and 2020	October 28, 2021
<u>OIG Report 21-10</u>	SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2019-20	March 25, 2021
<u>OIG Report 20-06</u>	SBA's FY 2019 Cash Contributions and Gifts	February 11, 2020

Appendix 2: Agency Response

SBA Response to Report



U.S. Small Business
Administration

Office of Communications and Public Liaison

SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2023 and 2022
(Project 23005)

Date: April 25, 2023

To: Hannibal "Mike" Ware, Inspector General

From: Christina Hale, Associate Administrator
Office of Communications and Public Liaison

Subject: Response to OIG Draft Report "SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2023 and 2022 (Project 23005)"

Thank you for providing the Office of Communications and Public Liaison (OCPL) the opportunity to respond to OIG's Draft Report, "SBA's Controls Over Cash Contributions and Gifts, Fiscal Year 2023 and 2022 (Project 23005)."

OCPL is committed to complying with the Consolidated Appropriations Acts, 2023 and 2022, and SBA regulations and policies regarding soliciting and accepting cash contributions for National Small Business Week. We will continue to maintain internal controls to address cash gifts and contributions.

We appreciate and value your feedback.

Christina Hale