

U.S. SMALL BUSINESS ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

SBA's Corrective Actions to Improve Oversight of the SCORE Association



Verification Inspection Report

Report 23-12

September 21, 2023



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

MEMORANDUM

Date: September 21, 2023

To: Isabella Casillas Guzman,
Administrator

From: Hannibal "Mike" Ware, 
Inspector General

Subject: Follow-up Verification Inspection of SBA's Corrective Actions to Improve Oversight of the SCORE Association

We inspected the U.S. Small Business Administration's (SBA) corrective action(s) for 8 of our 11 recommendations from the Office of Inspector General (OIG) audit report *Audit of SBA's Oversight of the SCORE Association* to determine whether SBA continues to practice corrective actions. A verification inspection is a limited scope that focuses on closed recommendations from prior OIG reports.

We determined OIG Report 19-12 recommendations 1, 2, 5, 6, 7, 8, and 11 to be fully implemented; however, SBA management has not fully implemented recommendation 10. We will track management's implementation by reopening the recommendation and will work with SBA to establish a target date for implementing corrective actions through the audit follow-up process.

We appreciate the cooperation and courtesies provided by your staff. 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: Dilawar Syed, Deputy Administrator
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Background

The SCORE program is the largest volunteer business mentoring program funded by the federal government. SCORE comprises more than 10,000 volunteers with industry expertise who mentor, train, and advise small business owners and emerging entrepreneurs. Entrepreneurs can access free, confidential business mentoring in person at more than 250 local chapters or remotely via email, phone, and online services. SCORE regularly offers free online workshops on topics ranging from startup strategies to marketing and finance. Attendees can watch webinars live or view recordings online on their own time.

SBA's Office of Entrepreneurship Education (OEE) within the Office of Entrepreneurial Development (OED) is responsible for administering the SCORE program. The SCORE Association is the single cooperative agreement recipient for the program. The U.S. Small Business Administration (SBA) is responsible for the overall program policy and oversight, while the SCORE Association is responsible for implementation and management of its day-to-day operations.

During fiscal years (FY) 2022 and 2023, SCORE was awarded \$14 million and \$17 million respectively. In FY 2022, SCORE provided mentorship for over 322,000 entrepreneurs and helped create more than 3,900 new small businesses.

In April 2019, the Office of Inspector General (OIG) completed the *Audit of SBA's Oversight of the SCORE Association*. We reported that SBA did not effectively oversee SCORE's use of federal funds. We also found that SBA program officials did not accurately measure or report SCORE's performance goal achievements. We made 11 recommendations for SBA to improve its oversight and monitoring of SCORE's use of government funds and program performance.

This follow-up verification inspection focuses on 8 of the 11 recommendations. The remaining three recommendations involved corrective actions that did not significantly change a process or policy. Specifically, we did not review recommendations 3 and 4 because we had verified that program officials assessed and recovered funds for costs that did not comply with laws, regulations, and the terms and conditions of the award when we closed the recommendations. Likewise, we did not review recommendation 9 because we verified program officials corrected the FY 2017 performance results for the program in the annual *Congressional Budget Justification and Annual Performance Report* when we closed the recommendation.

Our objectives were to determine the effectiveness of corrective actions SBA implemented to 1) improve its oversight over the SCORE program to include the program's use of government funds and 2) measure and report program goals.

Summary of Results

Program officials effectively implemented corrective actions for seven of the eight recommendations made by OIG. Specifically:

- Recommendation 1: SCORE developed a centralized accounting system and now reviews and approves all SCORE chapters' deposits and expenses.
- Recommendation 2: SCORE made training available to all SCORE chapter treasurers and issued monthly accounting bulletins highlighting accounting and financial concerns related to SCORE chapters.
- Recommendation 5: SCORE acknowledged SBA's support of SCORE's publication materials.
- Recommendation 6: SCORE chapters no longer act as fiscal agents for cosponsored events.
- Recommendation 7: The terms and conditions included whistleblower protection information.
- Recommendation 8: SBA ensured the cost of the leased space or related material and services that it donated to SCORE were accurately reported.
- Recommendation 11: Program officials continued to report on the number of unique clients served, new businesses started, and the percentage of businesses realizing revenue growth for the SCORE program.

However, program officials did not fully implement one of the eight recommendations. Specifically:

- Recommendation 10: Program officials implemented procedures to reconcile SCORE's achievements in the Entrepreneurial Development Management Information System (EDMIS) to SCORE's performance management system to ensure the total number of records matched but did not establish procedures to ensure the data was accurate. Also, program officials did not ensure SCORE reported on its progress toward all of the performance goals in the quarterly performance reports.

Report 19-12: SBA’s Oversight of the SCORE Association

The following information details the original finding, recommendations, and SBA’s corrective actions and OIG inspection results for recommendations 1, 2, 5, 6, 7, 8, 10, and 11.

Recommendation 1

OIG Finding	OIG Recommendation	SBA Corrective Action(s)
<p>Improvements were needed to ensure SCORE minimized risk of fraud or misuse of program funds. SBA did not ensure SCORE spent federal funds in accordance with the requirements of the cooperative agreement. The finding highlighted the following issues:</p> <ul style="list-style-type: none"> • commingling of restricted federal funds with unrestricted donations; • use of federal funds for unallowable, unallocable, and unsupported costs; • inappropriate solicitation of donations for mentoring services; and • improper awarding of contracts. 	<p>Implement financial oversight procedures of the SCORE program to ensure the program office enforces the cooperative agreement requirements for SCORE to use the federal funds for allowable, allocable, and reasonable expenses; adhere to contract award procedures; document its procurement procedures; and separate the restricted and unrestricted funds</p>	<p>OIG closed this recommendation on June 11, 2020 because management conducted a financial examination of SCORE to ensure federal funds were used for allowable, allocable, and reasonable expenses. Management also implemented SBA Standard Operating Procedure (SOP) 90 84 that established procedures to monitor SCORE’s use of federal funds and program income. The SOP also established a process and checklist to approve SCORE’s contracts that exceed \$250,000.</p>

Inspection Result

We verified that SCORE developed and implemented a centralized accounting system and required all chapters to use the new system. SCORE required SCORE chapters to submit all accounting transactions for prior approval from the SCORE headquarters’ accounting department. SCORE uses the centralized accounting system to record all transaction and compile financial reports. During this inspection, we reviewed SCORE’s centralized accounting system and

observed the process for classifying transactions and separating restricted from unrestricted funds.

Further, the special terms and conditions of the FYs 2022 and 2023 cooperative agreements required SCORE to obtain prior approval from SBA before executing contracts over \$250,000. In addition, SOP 90 84 includes a checklist to document the approval process for contracts over \$250,000. We received a list of 91 contracts that were executed between October 2021 and March 2023 from the three SCORE chapters selected for review. There were six contracts that exceeded the \$250,000 threshold. We verified that an SBA official approved all six contracts reviewed. We consider the corrective actions fully implemented and effective.

We also verified that SBA continued to conduct annual financial examinations of SCORE. Program officials rely on financial examiners within the OED to assess the accuracy of SCORE’s reported financial and management data, costs incurred and claimed for reimbursement were reasonable, allowable, and allocable, and SCORE’s compliance with program policies, applicable laws and regulations. The most recent financial examination reviewed transactions that occurred from October 2020 through September 2021.

We consider this corrective action fully implemented and effective.

Recommendation 2

OIG Finding	OIG Recommendation	SBA Corrective Action(s)
<p>Improvements were needed to ensure SCORE minimized risk of fraud or misuse of program funds, which included the following:</p> <ul style="list-style-type: none"> • commingling of restricted federal funds with unrestricted donations; • use of federal funds for unallowable, unallocable, and unsupported costs; and • inappropriate solicitation of donations for mentoring services. 	<p>Require SCORE to develop clear guidance and provide training to all SCORE chapter leadership on properly generating and using program income and require that the SCORE maintain records showing that all leadership were trained.</p>	<p>OIG closed this recommendation on September 5, 2019 because management provided documentation of training from SCORE’s Chief Financial Officer on the transition to the new accounting system, minutes from the National Leadership Conference regarding the new accounting system, and training for Chapter treasurers.</p>

Inspection Result

SCORE implemented several tools for chapter leadership to use to improve financial management practices when submitting accounting transactions for SCORE's approval. In July 2020, SCORE developed the first version of the Chapter Accounting Policies and Procedures (CAPP), which was last updated in April 2022. The CAPP defines the differences between restricted and unrestricted funds. It also demonstrates how SCORE chapters should submit financial and procurement transactions to SCORE Headquarters for review and approval. SCORE also updated its standard operating manual that addresses policies and procedures for SCORE and SCORE chapters, specifically Chapter 8 of the most recent version which focuses on chapter finances and accounting.

In addition to training SCORE leadership on the new centralized accounting system, SCORE developed several training initiatives for continuous training offered to chapter leadership. This included implementing Treasurer Tuesdays, which was an optional forum for SCORE chapter treasurers to discuss chapter issues, policies, and accounting system training. SCORE also developed a training link specifically for SCORE treasurers that addresses policies and procedures as well as access to the CAPP, standard operating manual, and training videos on various treasurer issues. Lastly, SCORE developed monthly accounting bulletins to address accounting issues.

We consider this corrective action fully implemented and effective.

Recommendation 5

OIG Finding	OIG Recommendation	SBA Corrective Action(s)
<p>Program officials did not ensure that SCORE consistently acknowledged SBA’s support on its publication materials, as required by the cooperative agreement. The publication materials at all three chapter locations we visited did not include any acknowledgement of SBA’s statement. Program officials told OIG they repeatedly brought this requirement to SCORE’s attention; however, they did not act to ensure SCORE consistently published materials that acknowledged SBA’s support of the program.</p>	<p>Implement a process to ensure that SCORE includes the required acknowledgement of SBA’s support on its publications.</p>	<p>OIG closed this recommendation on April 26, 2019 because management updated the FY 2019 terms and conditions that included the requirement for SCORE to acknowledge SBA’s support on its publications. In addition, SOP 90 84 SCORE Program (effective August 26, 2019) implemented compliance review procedures for SCORE liaisons to verify that SCORE chapters acknowledge SBA’s support on their published materials.</p>

Inspection Result

We verified the cooperative agreement terms and conditions for FYs 2022 and 2023 required that SCORE acknowledge SBA’s support in SCORE’s materials and publications. The three SCORE chapters we selected for review conducted a total of 704 training workshops from October 2021 through March 2023. We randomly sampled workshops from each quarter and found each form contained a statement acknowledging that SBA provided funding through a cooperative agreement.

Part of the corrective actions to close recommendation 5 required SBA SCORE liaisons to verify that SCORE included the required acknowledgements of SBA’s support on its publications during compliance reviews. We reviewed compliance reviews for three SCORE chapters. The SCORE liaisons for all three chapters documented on the compliance forms that SBA’s support was mentioned on publications and training materials.

We consider this corrective action fully implemented and effective.

Recommendation 6

OIG Finding	OIG Recommendation	SBA Corrective Action(s)
<p>SBA district office personnel and SCORE chapters did not ensure the cosponsorship agreements were approved by the proper authorities within SBA and SCORE. Additionally, the cooperative agreement required SCORE account for the cosponsorship funds separately from its federal award. However, at one of the chapters we visited, the SBA district office personnel did not ensure that the SCORE chapter recorded the cosponsorship funds in detail or separate from its award funds. We also found that the same district office personnel collected cosponsor funds, despite strict procedures that prohibited SBA's district offices from handling cosponsorship funds.</p>	<p>Implement a process to verify that all cosponsorship agreements that SBA enters into with SCORE are properly approved and adhered to.</p>	<p>OIG closed this recommendation on April 26, 2019 because management notified SBA district office officials monitoring SCORE chapters nationwide that SCORE will no longer be permitted to serve as a fiscal agent for SBA cosponsored events beyond May 17, 2019. Additionally, SBA's SOP 90 84 was updated to reflect SCORE local chapters could no longer act as fiscal agents.</p>

Inspection Result

We verified that the SCORE standard operating procedures included language that prohibited SCORE local chapters from participating as fiscal agents for cosponsored events. In addition, SBA included in the terms and conditions that SCORE chapters may not be designated as fiscal agents. If cash is collected, either the cosponsor or participant supporting the cosponsored activity must be designated as the fiscal agent. SCORE provided three cosponsored events and we determined that the SCORE chapters involved with each event did not participate as a fiscal agent.

We consider this corrective action to be fully implemented and effective.

Recommendation 7

OIG Finding	OIG Recommendation	SBA Corrective Action(s)
<p>Program officials did not have effective oversight to ensure SCORE established a proper control environment over financial reporting at the chapter level and did not foster an environment that promoted volunteers’ whistleblower rights. SCORE did not advise volunteers of their protected options for disclosing evidence of fraud, waste, or abuse, which include the OIG Hotline and program officials. Instead, SCORE discouraged reporting outside of the organization, which contradicted the cooperative agreement requirements that all SCORE principals, employees, and agents report instances of fraud, waste, or abuse to SBA or the OIG Hotline.</p>	<p>Modify the terms and conditions in the notice of award to ensure whistleblower reporting procedures emphasize unrestricted access to the OIG Hotline and require SCORE to update its standard operating manual to include whistleblower reporting that complies with the Whistleblower Protection Act.</p>	<p>OIG closed this recommendation on February 14, 2020 because management updated the terms and conditions that included Whistleblower Protections. In addition, SCORE’s operating manual was updated with language regarding the policy and protections for Whistleblowers.</p>

Inspection Result

We verified that the terms and conditions for FYs 2022 and 2023 continued to include whistleblower protections. The FY 2020 terms and conditions included language for SCORE’s employees to report all instances of fraud, waste, or abuse related to the SCORE program and provided SBA OIG’s contact information. The FY 2022 and FY 2023 terms and conditions contained the same language regarding whistleblower protection.

SCORE’s standard operating manual also offers employees protection against retaliation for reporting fraud, waste, or abuse. In addition to the terms and conditions and SCORE standard operating manual, SCORE employees are notified of their whistleblower protections via an online presentation of SCORE’s code of ethics which must be taken annually.

We consider the corrective actions were fully implemented.

Recommendation 8

OIG Finding	OIG Recommendation	SBA Corrective Action(s)
<p>SBA was not aware of the total cost of the SCORE program. When reporting the total cost of the SCORE program, SBA relied on an estimated 2.5 percent of general agency overhead, which may have significantly underestimated the cost of donated lease space. SBA did not include the cost of leased space or related material and services that were donated to SCORE in the <i>FY 2019 Congressional Budget Justification and FY 2017 Annual Performance Report</i>.</p>	<p>Assess the cost of the leased space or related material and services that it donated to SCORE for accurate reporting of the cost of the SCORE program.</p>	<p>OIG closed this recommendation on January 9, 2020 because management worked with Executive Management, Installation and Support Services to assess the cost of leased space. In addition, support services provided the square footage of district offices with SCORE Offices. The Office of Entrepreneurial Development had district offices calculate and report the square footage of SCORE offices and the information was submitted to Office of Chief Financial Officer to be included as part of SCORE’s program costs in the <i>Congressional Budget Justification and Annual Performance Report</i>.</p>

Inspection Result

SBA continues to assess the value of the collocated and stand-alone spaces occupied by SCORE along with the square footage and cost per square foot. In addition, program officials kept track of leases that expired during FY 2022.

Program officials reported in the *FY 2024 Congressional Budget Justification and FY 2022 Annual Performance Report* that the total cost of the SCORE program was \$19.19 million in fiscal year 2022. Of that amount, the donated space totaled \$1.2 million. We verified that the cost of the donated space was accurately reported.

We consider this corrective action was fully implemented.

Recommendation 10

OIG Finding	OIG Recommendation	SBA Corrective Action(s)
<p>Program officials overreported SCORE’s accomplishments for number of clients trained by 31 percent and underreported SCORE’s accomplishments for total number of clients mentored by 7 percent. Performance results for the number of clients trained were inaccurate because SCORE uploaded erroneous data to Entrepreneurial Development Management Information System (EDMIS) due to an inaccurate database query.</p>	<p>Implement procedures to review and reconcile SCORE’s achievements reported in its quarterly performance reports compared to the performance results in the EDMIS to ensure performance results are accurate and complete.</p>	<p>OIG closed this recommendation on January 8, 2020 because management updated the terms and conditions of SCORE’s cooperative agreement requiring SBA and SCORE to conduct quarterly reconciliations of the performance data submitted through EDMIS (the Office of Entrepreneurial Development’s performance reporting system) to ensure performance results are accurate and complete.</p>

Inspection Result

We verified that SCORE’s cooperative agreement terms and conditions for FYs 2022 and 2023 contained the requirement for SBA and SCORE to conduct quarterly reconciliations of performance data submitted through EDMIS to ensure performance results are accurate and complete.

To reconcile the performance data, SCORE generates the data and stores it in a data warehouse on a quarterly basis where it is formatted as necessary to be compatible with SBA’s EDMIS system. SBA’s EDMIS team works with SCORE to verify the number of records loaded. However, in a quarterly performance report, SCORE notified SBA that it continued to experience challenges with ensuring the data it uploaded into EDMIS is accurately reported. SBA relies on the data to monitor SCORE’s progress toward achieving goals. While the number of records transferred from SCORE matched the data uploaded in EDMIS, SBA did not perform a check to ensure the records were accurate.

Further, in the special terms and conditions for the award, program officials required that SCORE provide quarterly reports showing the progress toward achieving the established performance goals. Although program officials had established performance targets for the following

measures: unique clients served, new businesses started, and percent of business realizing revenue growth, they did not ensure that SCORE reported on the results in a meaningful way to track progress.

As a result, we are reopening the recommendation for SBA to ensure performance results are accurate and complete.

Recommendation 11

OIG Finding	OIG Recommendation	SBA Corrective Action(s)
<p>Program officials had established limited outcome-based performance measures to assess whether the SCORE program has its intended effect on the small businesses and pre-venture entrepreneurs it serves. The only outcome-based performance measure that program officials required SCORE to report was the number of small businesses created. Although the number of small businesses created outcome measurement was significant, it did not inform program officials whether it achieved the other intended effects of the program.</p>	<p>Establish additional outcome-based program goals and measurements to assess whether the program achieved all its objectives.</p>	<p>OIG closed this recommendation on April 26, 2019 because management established new performance measurements to assess the effectiveness of the program. Management established goals to measure:</p> <ul style="list-style-type: none"> • number of Unique SCORE Clients Served, • number of SCORE New Business Starts, and • percentage of SCORE Businesses Realizing Revenue Growth.

Inspection Result

We verified OED established annual performance targets in the terms and conditions of the FY 2022 and FY 2023 awards to SCORE to track the following performance measures:

- Number of Unique Clients Served,
- Number of New Business Starts, and
- Percentage of Businesses Realizing Revenue Growth.

OED continued to monitor SCORE's progress on achieving the performance goals and we verified that OED reported the accomplishments for all three measures in SBA's *FY 2024 Congressional Budget Justification and FY 2022 Annual Performance Report*.

We consider this corrective action was fully implemented.

Recommendation

We are reopening recommendation 10 from Report 19-12, *Audit of SBA's Oversight of the SCORE Association*.

Implement procedures to review and reconcile SCORE's achievements reported in its quarterly performance reports to the performance results in the Entrepreneurial Development Management Information System (EDMIS) to ensure performance results are accurate and complete.

Scope and Methodology

We selected 8 of the 11 recommendations from SBA OIG Report 19-12 to follow up on the program office's corrective actions. We did not review the remaining three recommendations from the report because the corrective actions did not result in a policy or procedural change.

For the eight recommendations selected, we reviewed management's justification and documentation of the corrective actions implemented to close the recommendations. These recommendations were closed because SBA provided evidence it had implemented corrective actions on addressing the financial and performance management issues we found during our prior audit. We reviewed the processes and procedures used to manage the program from October 1, 2021 through March 31, 2023. We reviewed the policies and procedures used at SCORE headquarters and selected the same three SCORE chapters during the prior audit for this inspection verification. We interviewed and emailed SBA and SCORE officials to obtain an understanding of the procedures they followed. We obtained financial, procurement, and performance documentation from SCORE headquarters and the three SCORE chapters. We received a walkthrough of SCORE's centralized accounting system to gain an understanding of

the system's ability to separate restricted from unrestricted funds. We also received a walkthrough of the EDMIS system to verify that the performance goals are measured, and progress tracked.

We conducted this inspection 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 adequately plan inspections, present all factual data accurately, fairly, and objectively, and that we present findings, conclusions, and recommendations in a persuasive manner. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our inspection objective.

Use of Computer-processed Data

We relied on data processed in SCORE's customer relationship management database and OED's Entrepreneurial Development Management Information System to verify SBA and SCORE measured and accurately reported on performance. We found SCORE compiles performance data from their customer relationship management database. The data is reviewed daily, weekly, and quarterly before it is converted into the SBA's EDMIS system. We observed EDMIS to verify that it captures performance data. However, SBA and SCORE did not establish effective processes to ensure the performance data was accurately transferred between the systems therefore, we reopened the recommendation to address this concern.

We also relied on data processed in SCORE's centralized accounting system to inspect SCORE's handling of accounting transactions. We observed the functionality of SCORE's accounting system to verify that SCORE had the capability to separate restricted from unrestricted funds. SCORE centralized their accounting processes as a result of the previous audit, and they now approve and execute financial and procurement transactions for SCORE chapters. Through our interviews with SCORE personnel and observations we considered the data reliable for the purposes of confirming whether SCORE implemented the corrective actions to address the prior audit findings.