

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

Report 23-04 | December 19, 2022





EXECUTIVE SUMMARY

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

Report 23-04

December 19, 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 authority to receive and use gifts and cash contributions is found in Section 132(a) of Division K in Public Law 108-447. The 2022 Consolidated Appropriations Act grants 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 2022 Consolidated Appropriations Act and SBA regulations and policies regarding soliciting and accepting cash contributions for National Small Business Week 2022. SBA's Office of Communications and Public Liaison obtained proper approval from the Office of General Counsel for the 2022 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 16 cosponsoring entities gave cash contributions totaling \$640,000 to defray the cost of business week activities. SBA reported that \$154,406 was

used to support this activity. However, we determined that \$150,928 was actually used to support this cosponsored activity.

We determined SBA complied with applicable laws and SBA regulations and policies regarding the acceptance, holding, and use of gift funds. Specifically, the agency accepted a \$505,879 unsolicited gift from the cosponsors of business week activities held between 2020 and 2022. Excess funds are the contributed cash or collected fees that are left over after expenses are subtracted from the revenues. This gift represented the cosponsors share of excess cash contributions that remained at the conclusion of the activities. The cosponsors elected to have their share of the excess funds be made a gift to SBA, available for the next National Small Business Week cosponsored event. The check was deposited in a timely manner and held in SBA's Business Assistance Trust Fund.

The agency also used \$8,695 of existing gift funds to support outreach activities during business week. We found these disbursements were acceptable uses of the gift funds.

We also noted, however, that controls could be improved when using the government purchase card to buy goods and services.

Recommendations


We made two recommendations to improve controls over 2022 business week closeout reporting and the government purchase card use.

Agency Comments

SBA provided a written response that was considered in finalizing this report. SBA management agreed with both recommendations and has fully implemented corrective actions for Recommendation 1.



Office of Inspector General U.S. Small Business Administration

DATE: December 19, 2022
TO: Isabella Casillas Guzman
Administrator
FROM: Hannibal "Mike" Ware 
Inspector General
SUBJECT: Compliance Review of SBA's Controls Over Cash Contributions and Gifts,
Fiscal Year 2022

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

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Jeff Brindle, Director of IT and Financial Management Group, or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

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

Table of Contents

| | |
|---|----|
| Introduction | 1 |
| SBA Cosponsored Activities..... | 1 |
| Objective..... | 2 |
| Finding 1: SBA Complied with Solicitation, Acceptance, Holding, and Use of Cash Contributions and Gifts..... | 3 |
| Table 1. 2022 Use of Gift Funds..... | 3 |
| Finding 2: Control Enhancements Needed in the Oversight and Monitoring of Business Week Reporting and Government Purchase Card Use..... | 4 |
| Conclusion | 5 |
| Recommendations..... | 5 |
| Analysis of Agency Response | 6 |
| Appendix I: Fiscal Agent Expenses for 2022 National Small Business Week..... | 7 |
| Appendix II: Objective, Scope, and Methodology..... | 8 |
| Use of Computer-Processed Data..... | 8 |
| Review of Internal Controls..... | 8 |
| Prior Coverage | 8 |
| Nature of Limited or Omitted Information..... | 9 |
| Appendix III: Management Response | 10 |

Introduction

The 2022 Consolidated Appropriations Act extends to the U.S. Small Business Administration (SBA) Administrator the ability to accept donations of cash and services to the agency. 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 law, 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 donations and gifts semiannually.

SBA 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. 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 an SBA Form 1615, Cosponsorship Approval Request Form, and 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.

The cosponsors of the National Small Business Week activity at SBA headquarters in Washington, DC 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. If the excess funds are greater than \$125,000, the cosponsors agree that the amount in excess will not be retained by the fiscal agent but will be treated as an unsolicited cash gift to SBA for the agency's use in future National Small Business Week activities and that no additional approval will be required for such gift to the SBA.

Objective

Our objective was to assess the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts from February 2022 to August 2022.

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

We found that SBA adequately complied with applicable laws and SBA regulations and policies when soliciting and accepting cash contributions and gifts. SBA received \$640,000 in cash contributions from 16 entities to defray costs for National Small Business Week 2022. 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 May 2-6, 2022. The agency reported that \$154,406 of the total \$640,000 in cash collections was spent to support virtual activities. However, we determined that due to a posting error, the actual expenses for this activity were \$150,928 (see Appendix I).

During the review period, SBA received a \$505,879 unsolicited gift from entities that cosponsored business week between 2022 and 2020. This check represented the excess cash contributions that remained in the bank account maintained by the fiscal agent after expenses were paid for past small business week activities. The cosponsors elected to have their-share of the excess funds be made a gift to SBA, available for the next National Small Business Week cosponsored event. The check was deposited in a timely manner and is held in SBA's Business Assistance Trust Fund to be used for future business week events.

SBA officials also used \$8,695 of existing gift funds to support outreach activities during National Small Business Week 2022 (see Table 1). The purchases were made by three program office charge cardholders. The government purchase card may be used if the single purchase is for goods \$10,000 or less, or for services \$2,500 or less. All disbursements from the gift fund should be made according to applicable federal laws and SBA regulations and policies. While we concluded the expenses were acceptable uses of the gift funds under SBA regulations and policies, we determined improvement is needed in the oversight and monitoring of controls when using the government purchase card (see Finding 2).

Table 1. 2022 Use of Gift Funds

| Month | Expense | Amount (dollars) |
|--------------|--|-------------------|
| April | Purchase awards | \$2,256.25 |
| April | Social media and program design services | 2,200 |
| April | Images for video | 400 |
| May | Program for event | 1,700 |
| May | Audio visual support | 1,075 |
| May | Rental for tables and tents | 885.29 |
| May | Translator and interpreter services | 178.93 |
| Total | -- | \$8,695.47 |

Finding 2: Control Enhancements Needed in the Oversight and Monitoring of Business Week Reporting and Government Purchase Card Use

Under SBA 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. However, our comparison of the fiscal agent's final accounting report and SBA's Form 2299 identified inaccuracies in reporting due to an erroneous addition of \$3,478.13 to the total expenses when trying to correct a prior year adjustment. We also found a minor overstatement of the 2022 business week expenses as calculated total expenses were not used.

SBA SOP 20 22 1, Purchase Card Program, requires cardholders to ensure that funds are obligated in a timely manner prior to the purchase. The SOP also requires that cardholder monthly statements are certified and that adequate documentation of all purchase card transactions is maintained to ensure purchases are valid. Although required, we found an instance where funds were obligated after the post date on the cardholder statement when obligation should have occurred prior to purchase. In addition, the accuracy of the cardholders' monthly bank statements was not certified to ensure all transactions were accurate, valid, and incurred for official government business. In another instance, a cardholder did not maintain an obligation release document or provide the invoice for a purchase.

We found the noted deficiencies occurred because program officials were not always diligent in their oversight and monitoring of the fiscal agent's final accounting as well as purchase card activity. As such, the reported expenses for 2022 National Small Business Week were overstated and the fiscal agent accounting and SBA Form 2299 could not be relied on. In addition, there is a risk that cardholders may make inappropriate purchases, which would result in the misuse of gift funds. This could also result in gift funds not being used in accordance with the donor's original intent.

Conclusion

Agency officials need to continue to strengthen administrative controls over National Small Business Week closeout activities to ensure reporting is accurate and reliable. Also, when using the government purchase card, agency officials need to deploy review procedures over purchase card use to minimize the risks of incomplete or unreliable information and undetected improper or unallowed activity.

Recommendations

We recommend that the Administrator direct the Associate Administrator for the Office of Communications and Public Liaison to:

1. Perform a complete review of income and expenses for the annual business week activity and reconcile to the fiscal agent's final accounting report.
2. Monitor and adhere to guidance for using government purchase cards in accordance with SOP 20 22 1.

Analysis of Agency Response

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

Recommendation 1 Perform a complete review of income and expenses for the annual business week activity and reconcile to the fiscal agent's final accounting report.

Status: Closed

SBA management agreed with this recommendation and has performed a complete review of income and expenses and reconciled to the fiscal agent's final accounting report. Management has also updated the SBA Form 2299 for National Small Business Week 2022. No further action is required. We consider this recommendation to be closed.

Recommendation 2 Monitor and adhere to guidance for using government purchase cards in accordance with SOP 20 22 1.

Status: Resolved

SBA management agreed with this recommendation and has incorporated all required acquisition training and reviewed procedures for using purchase cards to minimize the risks of incomplete or unreliable information and undetected improper or unallowed activity. This recommendation can also be closed when OIG receives the cardholder and approving official's certificates for completion of purchase card training in accordance with Appendix B to Office of Management and Budget (OMB) Circular No. A-123, A Risk Management Framework for Government Charge Card Programs (August 27, 2019).

Appendix I: Fiscal Agent Expenses for 2022 National Small Business Week

| Date | Vendor | Expense | Amount (dollars) |
|--------------|------------------|---|---------------------|
| 04/08/2022 | Raymond Lombardi | First payment on videographer contract | \$9,570 |
| 04/22/2022 | SCORE | Frank's Engraving invoice number 3112201 for awards | 10,860.37 |
| 04/28/2022 | NTT Cloud | Virtual event other services configuration, additional attendees, project management for May 2022 event | 35,000 |
| 04/28/2022 | NTT Cloud | Virtual event monthly fee up to 5,000 attendees | 35,000 |
| 05/05/2022 | Bank of America | Bank fee | 76.96 |
| 05/09/2022 | Raymond Lombardi | Second payment on videographer contract | 9,675 |
| 05/24/2022 | Raymond Lombardi | Third payment on videographer contract | 9,675 |
| 05/27/2022 | SCORE | QuickBooks from October 2021 to June 2022 | 320 |
| 06/07/2022 | NTT Cloud | Arkadin video webcast for May 2022 event | 3,799.17 |
| 06/07/2022 | NTT Cloud | Virtual event other services configuration, additional attendees, project management for May 2022 event | 768.04 |
| 06/07/2022 | NTT Cloud | Telecom surcharges and fees | 318.79 |
| 06/14/2022 | NTT Cloud | Arkadin video webcast for May 2022 event | 25,896.37 |
| 06/14/2022 | NTT Cloud | Telecom surcharges and fees | 2,172.99 |
| 06/14/2022 | NTT Cloud | Virtual event other services configuration, additional attendees, project management for May 2022 event | 5,235.22 |
| 06/23/2022 | SCORE | FedEx check to Ray Lombardi | 41.32 |
| 06/30/2022 | Vitac Corp. | VOL-PBC-JHRS invoice for services May 2022 | 225 |
| 06/30/2022 | Vitac Corp. | One-way ICS Service 21.5 hours at \$100 per hour | 2,150 |
| 06/30/2022 | SCORE | Frank's Engraving invoice number 5052201 | 144 |
| Total | -- | -- | \$150,928.23 |

Appendix II: Objective, Scope, and Methodology

This report presents the results of our review 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 applicable expenses and gifts that occurred between February and August 2022 using a report of Business Assistance Trust Fund activity for fiscal year 2022.

We tested the applicable transactions related to soliciting and accepting cash contributions for the 2022 National Small Business Week cosponsored activity to assess the effectiveness of SBA controls. We verified that 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 the National Small Business Week 2022 activities. We tested expenses to ensure that uses of the gift funds were acceptable under applicable laws, SBA regulations and policies.

We conducted this evaluation between July and September 2022 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 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 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.

OMB 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 2022, 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 2022 and 2021 (OIG Report 22-14, June 15, 2022)

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 (OIG Report 21-10, March 25, 2021)

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

SBA's FY 2018 and 2019 Cash Contributions and Gifts (OIG Report 19-14, June 19, 2019)

SBA Controls Over FY 2017 and 2018 Cash Contributions and Gifts (OIG Report 18-25, September 20, 2018)

SBA's FY 2016 and 2017 Cash Contributions and Gifts (OIG 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 III: Management Response

SBA Response to Compliance Report



Date: December 6, 2022

To: Jeff Brindle, OIG Director, IT and Financial Management Group
Office of Inspector General

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

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

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 Year 2022 (Project Number 22003A).

OIG Recommendation 1. Perform a complete review of income and expenses for the annual National Small Business Week activity and reconcile to the fiscal agent's final accounting report.

SBA Response: SBA concurs with this recommendation. Administratively, we have addressed the specific issues noted and have performed and completed a review of income and expenses for National Small Business Week 2022, as well as reconciled with the fiscal agent's final accounting report. The reconciled financial summary and SBA Form #2299 can be found [here](#). **Completed on November 18, 2022.**

OIG Recommendation 2. Monitor and adhere to guidance for using government purchase cards in accordance with SOP 20 22 1.

SBA Response: SBA concurs with this recommendation. We have incorporated all required acquisition training and reviewed procedures for using purchase cards to minimize the risks of incomplete or unreliable information and undetected improper or unallowed activity. **Completed on November 29, 2022.**