

REVIEW OF SBA CONTROLS OVER CASH GIFTS

Report Number: 11-09
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U.S. Small Business Administration
Office Inspector General

Memorandum

To: Jonathan I. Carver
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Date: March 18, 2011

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Deputy Inspector General

Subject: Review of SBA Controls Over Cash Gifts
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This report represents the results of our audit of the SBA's controls over cash gifts. SBA has gift authority under Sections 4(g), 5(b)(9), 7(k)(2), and 8(b)(1)(G) of the Small Business Act (the Act). Employees may solicit and accept gifts on behalf of the SBA after proper approvals, including a conflict of interest determination by the SBA's Office of General Counsel (OGC). All gifts must be used in a manner consistent with the Act and any terms imposed by the donor. Section 4(g)(2) of the Act provides that any gift, devise, or bequest of cash accepted by the Administrator shall be held in a separate account¹ and shall be subject to semi-annual audits by the Inspector General who shall report his findings to Congress.

Our audit objective was to determine whether the SBA was following established procedures for soliciting, accepting, holding and utilizing cash gifts. To achieve our audit objective we obtained an understanding of laws, regulations, and the SBA's policies and procedures regarding its gift authority. We also interviewed selected SBA officials and examined documentation obtained from officials in the Offices of Strategic Alliances, Advocacy, and the Chief Financial Officer. Lastly, we examined 16 cash gifts that were posted to the Business Assistance Trust Fund (BAT Fund) between October 26, 2010 and January 7, 2011. These gifts were utilized by the SBA's Office of Advocacy (OA) in support of the 30th Anniversary of the Regulatory Flexibility Act of 1980 and the 2010 Jobs Creation Symposium.

¹ This account is called the Business Assistance Trust Fund (BAT Fund).

Our audit was performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

BACKGROUND

The SBA Procedural Notice 7000-189, *Gift Solicitation/Acceptance Procedures* dated June 29, 2010 stipulates the approval of cash and in-kind gifts, acceptable sources of gifts, conflict of interest determinations, and the requirement for certain executed documents for all cash gifts. In addition, SBA Procedural Notice 2000-677, *Restatement of Procedures for the Business Assistance Trust Fund (BAT Fund)* dated June 18, 2004 stipulates SBA's policy for depositing cash gifts into, and expending money out of the BAT Fund. This notice also outlines the procedural steps for depositing a cash gift, expending the BAT Funds and tracking expenditures.

During Fiscal Year 2010 the SBA's OA sponsored two events, and solicited and received financial support from 16 nonfederal organizations totaling \$23,050. The 16 organizations are listed in Attachment 1: OA Cash Gifts. The cash gifts were posted to the SBA's BAT Fund between October 26, 2010 and January 7, 2011.

In a prior audit² we found that the SBA: had improperly accepted cash gifts from prohibited sources; had not implemented adequate controls related to conflict of interest determinations; had not timely obligated funds for requisition expenditures; and had not implemented adequate record-keeping and accountability procedures. Corrective actions have been implemented by the SBA.

AUDIT RESULTS

The SBA followed established procedures for soliciting, accepting, holding and utilizing 16 cash gifts totaling \$23,050. Specifically, SBA Procedural Notice 7000-189 includes explicit procedures regarding the roles and responsibilities of SBA officials for soliciting and accepting cash gifts. The SBA substantially complied with the procedures stipulated in this notice. The donors were properly vetted through SBA program offices to ensure no business relationships existed that would cause a conflict of interest. The SBA's OGC confirmed that no conflict of interest existed between the SBA and the 16 organizations that donated cash gifts totaling \$23,050. The SBA also deposited cash donations and made the funds available to the OA for expenditure. Lastly, the SBA expended BAT Funds for authorized purposes in accordance with the Act and SBA Procedural Notice 2000-677.

At the exit conference, we discussed the results of our audit. We also discussed matters that could improve the SBA's controls over cash gifts. These matters included: advance planning of events where cash gifts will be solicited; more specific procedures regarding the use of BAT Funds for certain expenditures; delegation of authority for certain activities; maintenance of records and document retention, and updating an outdated procedural notice. We concluded these matters did not rise to the level of reportable conditions and were not included as a finding in this report. SBA officials concurred with our recommended improvements.

We appreciate the courtesies and cooperation of the Agency officials during this audit. If you have any questions concerning this report, please call me at (202) 205-6586, or Jeff Brindle, Director Information Technology and Financial Management at (202) 205-7490.

² OIG Report 5-28, *Review of Procedures for Cash Gifts* dated September 30, 2005.

ATTACHMENT 1: OA CASH GIFTS

	Name of Donor	Brief Description	Gift Amount
1	Aircraft Owners and Pilots Association	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$500
2	American Cable Association	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$1,000
3	American Foundry Society	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$500
4	American Trucking Association	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$500
5	Associated Builders & Contractors, Inc.	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$1,000
6	Brick Industry Association	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$1,000
7	Ewing Marion Kauffman Foundation	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$2,000
8	National Automobile Dealers Association	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$250
9	National Mining Association	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$1,000
10	National Roofing Contractors Association	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$1,000
11	National Small Business Association	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$500
12	NFIB Legal Foundation	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$1,000
13	Portland Cement Association	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$300
14	Society for Human Resource Management	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$5,000
15	Specialty Equipment Market Association	Cash to support the OA Conference for the 30th Anniversary of the Regulatory Flexibility Act	\$500
16	VISA, Inc.	Cash to support the OA Job Creation Symposium	\$7,000
		Total	\$23,050