



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

ADVISORY MEMORANDUM
REPORT NO. 13-20

DATE: September 26, 2013

To: Jonathan I. Carver, Chief Financial Officer
Frederick Baldassaro, Assistant Administrator for Communications and Public Liaison
Sara Lipscomb, General Counsel

SUBJECT: Evaluation of SBA's 2012 Cash Gifts

SUMMARY

This report represents the results of our evaluation of the Small Business Administrations (SBA) controls over cash gifts. The SBA has gift authority under sections 4(g), 8(b)(1)(G), 5(b)(9) and 7(k)(2) 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 SBA's Office of General Counsel. 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 or her findings to Congress.

Our objective was to determine whether SBA officials followed established procedures for soliciting, accepting, holding, and utilizing² cash gifts in 2012. To achieve our objective, we obtained an understanding of laws, regulations, and SBA policies and procedures regarding its gift authority. Lastly, we examined documentation obtained from officials in the Offices of Strategic Alliances and the Chief Financial Officer for cash gifts posted to the Business Assistance Trust Fund (BAT Fund) between August and November 2012.

These cash gifts were not solicited, but were excess funds that remained from two prior SBA-cosponsored activities. Of the \$39,787 posted to the BAT Fund in 2012, \$16,787 was left over from the 2011 American Express/Start-up America: Reducing Barriers Roundtables. This was reprogrammed to provide beverages for participants and speakers at Urban Economic Forums held around the country to assist underserved communities. The additional \$23,000 was left over from National Small Business Week and reprogrammed to support future National Small Business Week events and other small business outreach activities.

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

²Holding refers to the obligation, and utilization refers to the expenditure of money held in the BAT Fund.

We conducted this evaluation between March and April 2013 in accordance with the Council of Inspectors General on Integrity and Efficiency (CIGIE) *Standards for Inspections and Evaluations*. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objective.

RESULTS

Based on our evaluation, we determined the SBA adequately complied with the Act regarding the acceptance, holding, and utilization of cash gifts. The responsible SBA officials determined the gifts were something the Agency could use and that its use would further the mission of the Agency. The non-federal organizations that gifted cash donations were properly vetted through the SBA's program offices to ensure no business relationships existed that would cause a conflict of interest in accordance with the Act.

Also, the SBA deposited and recorded cash donations totaling \$39,787 in the BAT Fund and made the funds available to the Offices of the Administrator and Communications and Public Liaison for expenditure. During 2012, SBA officials spent BAT Funds to support the following events: \$685 for a Small Business Week Award Winners Luncheon, \$728 for an E-200 Graduation Luncheon, and \$375 for two symposiums on the *ABC's of a Small Business*. We determined these expenses were acceptable uses of the BAT Funds in accordance with the Act.

During our 2011 review,³ we noted that the SBA has not had permanent procedures on gift acceptance in place since 2007. We also noted that the procedural notice that prescribes SBA's control over the BAT Fund expired in 2005. We previously recommended that the SBA's Office of General Counsel collaborate with the Offices of the Chief Financial Officer and Strategic Alliances to issue SOP 90 53 to include procedures for soliciting, accepting, depositing, expending, and tracking expenditures, as well as documentation retention requirements for cash gifts. The SBA has not issued this SOP.

RECOMMENDATION

We recommend the General Counsel continues to collaborate with the Offices of Office of Communications and Public Liaison and the Chief Financial Officer to finalize and issue the Gifts SOP. The SOP should include procedures for soliciting, accepting, holding, utilizing, and tracking cash gifts.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

On June 25, 2013, we provided a draft of this report to the addressees in this report for comment. On September 10, 2013, management fully concurred with the results and the recommendation.

ACTIONS REQUIRED

Please provide your management decision for the recommendation on the attached SBA Form 1824, *Recommendation Action Sheet*, within 30 days from the date of this advisory memorandum. Your decision should identify the specific action(s) taken or planned for the recommendation and the target date(s) for completion.

³OIG Report 12-13, *Review of the SBA's Fiscal Year 2011 Cash Gifts*, dated March 30, 2012.

We appreciate the courtesies and cooperation of SBA officials during this evaluation. If you have any questions concerning this report, please call me at (202) 205-7390, or Jeffrey R. Brindle, Director Information Technology and Financial Management at (202) 205-7490.

/s/
Robert A. Westbrook
Deputy Inspector General