AUDIT REPORT

THE SCORE ASSOCIATION'S DISASTER TECHNICAL ASSISTANCE GRANT

EXECUTIVE SUMMARY

THE SCORE ASSOCIATION'S DISASTER TECHNICAL ASSISTANCE GRANT

Report No. 17-10

March 31, 2017

What OIG Reviewed

The Disaster Relief Appropriations Act of 2013 included $20 million—$19 million of which was available after sequestration—for the Small Business Administration's (SBA's) Office of Entrepreneurial Development (OED) to provide technical assistance to small businesses recovering from Hurricane Sandy. Using these funds, OED awarded grants to its resource partners in two phases. OED awarded $5.8 million in Phase 1 for short-term needs, and $13.2 million in Phase 2 for a long-term resiliency initiative.

We audited the $840,000 grant SBA awarded to the SCORE Association (SCORE) for Phase 1 to determine whether SCORE complied with grant requirements related to Federal expenditures and program performance.

What OIG Found

We found that SCORE did not always comply with financial grant requirements. Consequently, we questioned costs totaling over $391,000, or 47 percent, of SCORE's Hurricane Sandy grant. We also found that SBA exempted SCORE from submitting two types of required reports on a quarterly basis, and instead, allowed these reports to be submitted at the end of the Sandy grant period. The notice of award and program announcement required SCORE to submit (1) financial reports (SF-425, Federal Financial Report, and accompanying budget justification worksheets), which provide information on funds spent and the unobligated amounts remaining in the grant, and (2) program performance reports, which provide information on the status of grant-funded activities. Instead, SBA received from SCORE one financial report and individual state level performance reports.

As a result of the issues we identified, SBA cannot be certain that SCORE effectively achieved the Sandy objectives that the grant funds were intended to support.

Although the performance period for the Hurricane Sandy technical assistance grant ended in September 2014, the findings and recommendations identified in this audit report are still relevant to improve SBA's oversight of the financial management of SCORE.

OIG Recommendations

OED should recover or bring into compliance $391,846 in unallowable costs, improve its oversight over SCORE, and require SCORE to improve internal controls over its SBA-funded grant activities for more compliant financial operations and more compliant and reliable financial and performance reporting.

Agency Response

SBA management's planned actions resolve 4 of our 12 recommendations. SBA plans to improve its internal controls, processes, and procedures for managing disaster technical assistance grants. Additionally, SBA will conduct a review of the reallocation of costs between budget categories for allowability and work with SCORE to improve controls over financial management and oversight.

We did not reach resolution, however, on six recommendations to recover or remedy unallowable costs, one recommendation to develop a method to support reported results, and one recommendation to establish specific performance metrics to evaluate SCORE's disaster grant performance. While SBA's proposed alternative corrective action may prevent SCORE from making future unsupported and unallowable expenditures, this action does not remedy the unallowable costs identified in this report. SBA, as part of its oversight role, must ensure that SCORE develops a method to capture performance data to demonstrate performance, progress, and results. Additionally, while it may be feasible for SCORE as a stakeholder to provide input in developing the performance metrics, SBA has a responsibility to develop outcome-based metrics that allow for an effective assessment of program performance.

Final Report Transmittal
Report Number: 17-10

DATE: March 31, 2017

TO: Linda E. McMahon
Administrator

FROM: Hannibal M. Ware
Acting Inspector General

SUBJECT: *The SCORE Association's Disaster Technical Assistance Grant*

This report presents the results of our audit of *The SCORE Association's Disaster Technical Assistance Grant*. We previously furnished copies of the draft report and requested written comments on the recommendations. SBA management's comments are appended and were considered in finalizing the report. Based on SBA's response, the overall report is partially resolved with seven recommendations pending resolution.

We appreciate the cooperation that we received from your staff during our audit. Please contact me if you would like to discuss this report or any related issues.

cc: Mary Anne Bradfield, Chief of Staff
Joseph P. Loddo, Acting Chief Operating Officer
Lori M. Gillen, Deputy Associate Administrator, Office of Entrepreneurial Development
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Introduction

On October 29, 2012, Hurricane Sandy devastated portions of the Mid-Atlantic and Northeastern United States. It was the second costliest Atlantic storm in United States history, causing tens of billions of dollars in damages and economic injury, displacing more than 775,000 people, and resulting in over 160 fatalities. In response to Hurricane Sandy, on January 29, 2013, Congress enacted the Disaster Relief Appropriations Act of 2013 (DRAA). DRAA included $19 million for the Small Business Administration's (SBA's) Office of Entrepreneurial Development (OED) to provide technical assistance to small businesses recovering from Hurricane Sandy.[1] To support Sandy recovery, OED collaborated with SBA's Office of Disaster Assistance and developed a two-phased approach for awarding the $19 million in DRAA funds to SBA's resource partners, which include the SCORE Association (SCORE), small business development centers, and women's business centers. OED awarded $5.8 million in Phase 1 for short-term needs and $13.2 million in Phase 2 for a long-term resiliency initiative. In this audit, we examined the $840,000 grant SBA awarded to SCORE in Phase 1.

The SCORE Association

Headquartered in Herndon, Virginia, with more than 12,000 volunteer business counselors and 320 chapters nationwide, SCORE provides entrepreneurs with free business counseling and mentoring services and offers small business training workshops for low fees. While SCORE does not compensate its volunteers, it does reimburse volunteers (either directly or through their chapters) for allowable, allocable, and reasonable out-of-pocket expenses. (See Appendix II of this report for the definitions of allowable, allocable, and reasonable.)

SCORE receives its funding from many sources. In addition to disaster grant funds, SBA annually provides core grant funds to its resource partners. During fiscal year (FY) 2013, SBA provided SCORE $6.4 million in core grant funds to support the budgets of SCORE and its chapters. In FY 2013, SCORE also collected more than $2.5 million in workshop participation fees and received more than $3.9 million in cash and in-kind contributions solicited from private donors, including its fundraising organization, the SCORE Foundation.

SCORE's Hurricane Sandy Technical Assistance Grant

The program announcement for all of OED's Hurricane Sandy technical assistance (Sandy) grant recipients contained, in part, administrative requirements that included the submission of financial and performance reports and procedures for making requests for payments. In April 2013, OED issued notices of award (NoAs) to Sandy grant recipients stating the amount of funds they received and the terms and conditions of their awards, which were separate from their FY 2013 core grant awards. For SCORE, however, OED, in coordination with SBA's Office of Grants Management, modified the NoA for SCORE's FY 2013 core grant, increasing it by $840,000 and expanding its terms and conditions by adding language for Sandy. Table 1 shows SCORE's budget allocation for its Phase 1 Sandy grant.

[1] DRAA initially included $20 million for this purpose; however, $1million was cancelled due to sequestration, the cancellation of budgetary resources provided by discretionary appropriations or direct spending laws.

Table 1. SCORE's Approved Budget for Hurricane Sandy Funds by Cost Category

Cost Category	Approved Budget
Personnel Services	$23,371
Fringe	$6,543
Travel	$150,341
Equipment	$2,386
Supplies	$17,898
Contractual	$352,143
Other	$119,318
Total Direct Costs	$672,000
Indirect Costs	$168,000
Total	**$840,000**

Source: Generated by OIG based on SCORE's approved budget.

The language added to SCORE's NoA stated that the grant recipient was to provide fast-track counseling and training services for short-term impact, related to immediate disaster recovery for small businesses impacted by Hurricane Sandy in the officially declared counties within the 12 states listed in Appendix III. The NoA also prohibited SCORE and other resource partners from collecting fees from participants or earning program income for training workshops provided in response to the Sandy disaster.[2] In August 2013, SBA extended the initial Sandy Phase 1 performance period of 6 months by 1 year, from October 2013 to September 2014.

Prior Work

SBA OIG conducted a prior audit that identified weaknesses in SBA's oversight of Hurricane Sandy technical assistance grants.[3] We made 10 recommendations that were intended to improve how SBA manages disaster technical assistance grants. We have closed 9 of the 10 recommendations and are working with SBA management to close the remaining recommendation. Additionally, OIG's 2014 Improper Payments Elimination and Recovery Act (IPERA) review observed that the $840,000 payment to SCORE included unallowable indirect costs of $168,000, which represented 20 percent of SCORE's $840,000 award.[4] However, according to the core grant agreement, which SCORE was to follow, SCORE was not allowed to receive funds for indirect costs. We reported and questioned the $168,000 unallowable indirect costs as an improper payment as part of our review of SBA's compliance with IPERA.

[2] 2 CFR Part 215.2, Uniform Administrative Requirements for Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations, in effect at the time of the NoA, defined program income as gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. Program income includes, but is not limited to, income from fees for services performed. The regulation, substantively unchanged, is now at 2 CFR Part 200.80.

[3] SBA OIG Report 15-15, *Improvements Needed in SBA's Management of SBA Needs to Improve Its Management of Disaster Technical Assistance Grants* (June 19, 2015).

[4] SBA OIG Report 15-11, *SBA's FY 2014 Compliance with the Improper Payments Elimination and Recovery Act* (May 15, 2015).

Objective

We reviewed the $840,000 grant SBA awarded to SCORE to determine whether SCORE complied with grant requirements related to Federal expenditures and program performance. Specifically, we reviewed SCORE's grant expenditures to determine the allowability of costs charged to the grant, and we reviewed reporting to determine whether the required financial status and performance reports accurately reflected grant activity. (Appendix I contains additional information on our scope and methodology.)

Finding 1: SBA Internal Controls Were Insufficient to Prevent Unallowable Sandy Grant Costs

Federal regulations state that for a cost to be allowable under Federal awards, it must be necessary, reasonable, allocable, and adequately documented.[5] To determine whether SCORE complied with these allowability requirements for Sandy funds, we reviewed SCORE's Sandy grant expenditures. Our review identified the following unallowable costs:

- improper reallocation of costs between budget categories
- noncompetitive contract awards
- training workshop fees
- unsupported advertising costs
- meal charges

Even though the Office of Management and Budget (OMB) required that SBA increase internal controls over Sandy funds, our review found that neither SCORE nor SBA had internal controls to sufficiently ensure costs charged to the Sandy grant complied with grant requirements. Overall, the issues we identified may have been prevented or detected for corrective action if SBA officials—particularly in OED—had (1) provided effective oversight over SCORE's financial management of Sandy funds and (2) developed policies and procedures to effectively manage and guide the SCORE volunteer program. Because SCORE did not establish sufficient internal controls to ensure costs charged to the Sandy grant complied with grant requirements, we question as unallowable costs totaling over $391,000—47 percent of the $840,000 SBA awarded to SCORE. The following sections describe the costs we are questioning. (See Appendix VI for a schedule of our questioned costs.)

Improper Reallocation of Costs Between Budget Categories

We found that SCORE reallocated $153,048 (18 percent of its total Sandy budget) between cost categories without SBA's approval. According to the NoA, SCORE should have obtained prior approval from SBA before reallocating funds that exceeded 10 percent of its approved budget. The NoA further required SCORE to include an explanation in quarterly financial reports (SF-425, Federal Financial Report) each time its actual expenditures exceeded the amount budgeted for a given cost category. Moreover, OMB emphasizes the importance of transfers exceeding 10 percent of the total budget. The 10 percent limit is in place to prevent Federal awarding agencies from permitting a transfer that would cause any Federal funds to be used for purposes other than those consistent with the original intent.

However, SCORE personnel acknowledged that they did not submit quarterly reports, further stating that SBA never questioned SCORE's actual versus budgeted expenditures during the Sandy grant period. (See Finding 2.) Furthermore, OED personnel did not perform the required grant closeout procedures for SCORE's Sandy grant that would have been SBA's final opportunity to detect this noncompliance. As a result, SBA did not examine the transfers to determine their legitimacy, or whether the transfers affected SCORE's progress in achieving its Sandy goals. According to the NoA, if SCORE failed to obtain prior approval from SBA to reallocate expenses exceeding 10 percent, then SBA should have denied payment. (See Appendix V for full details about

[5] 2 CFR Part 230, Cost Principles for Non-Profit Organizations (January 1, 2012).

the improper reallocation.) We therefore question SCORE's $153,048 in unapproved budget transfers.

Noncompetitive Contract Awards

In three of the four contracts we reviewed, we found deficiencies regarding award requirements. SBA required SCORE to competitively award contracts valued at $25,000 or more to ensure that SCORE obtain fair and reasonable prices. SCORE also was required to submit copies of the proposed contracts to the grant officer's technical representative to approve before executing the contract. According to SCORE's NoA, SCORE could only award contracts noncompetitively if "SCORE could demonstrate to SBA's satisfaction either (1) there was only one possible source for a particular good or service or (2) there was an emergency involving the risk of imminent damage to property or injury to people." SCORE was also required to maintain complete and accurate records and supporting documentation, including copies of receipts, invoices, contracts, and leases for all expenses paid with project funds.

The contracts in which we found deficiencies were related to (1) public relations services, (2) web design services, and (3) client follow-up services. Even though each of these contracts was awarded for over $25,000, SCORE did not competitively award these contracts nor could it demonstrate that the contractors performed Sandy-related services. Additionally, in two instances, SCORE did not receive SBA's prior approval. SCORE emailed SBA a copy of the public relations services contract and the client follow-up services contract in November 2013, after several payments to the contractors had already been made. Neither SCORE nor SBA had documentation to show that the agency officially approved the contracts, as required by the NoA. As a result, SCORE did not demonstrate they had obtained a fair and reasonable price for three contracts.

Public Relations Services

In May 2013, SCORE entered into an agreement with a public relations firm to "provide strategic consulting and management services specific to issues [SCORE] faced in the following areas: Media relations about small business assistance that SCORE is giving to New York, New Jersey, Connecticut, North Carolina, Virginia, and Maryland small businesses harmed from Hurricane Sandy." Over the 7-month performance period (June to December 2013), SCORE paid the contractor $140,000 in consulting fees plus $488 for reimbursable travel costs.

We found that the invoices the contractor submitted to SCORE for payment contained no details about the extent to which the firm had completed Sandy-related services. While SCORE personnel provided us the contractor's performance results in an email (see Table 2), it is unclear how these results correlate to Sandy-related efforts or impact. For the majority of these services, SCORE could neither provide documentation to support the performance results listed in the email nor that the results were Sandy-related, with the exception of 10 story placements that included 7 newspaper articles, 1 television interview (date unknown), and 2 web-based radio interviews in July 2013.

Because of a lack of documentation, approval, and competition, we question the full amount of $140,488 SCORE paid the contractor and consider it unsupported.

Table 2. Summary of Consulting Contractor's Performance Results

Consulting Contractor	Performance Results
Media Impressions	378,889 (readers and listeners)
Story Placements	19 (includes TV, Radio, and Print)
Facebook Impressions	1,340
Twitter Impressions	9,400
Success Stories Written for Website	12 (6 volunteer profiles, 6 client stories)

Source: Information SCORE personnel provided to OIG via electronic message.

Web Design Services

SCORE also paid a contractor $31,200 for website redesign services to track Sandy outcomes. As with the public relations contract, SCORE did not solicit proposals from other service providers as required, but rather hired this contractor based on a prior business relationship. Further, we found that SCORE was unable to provide evidence that they sent a contract to SBA for prior approval and could not provide us with the agreement that supported its business arrangement with the contractor.

Additionally, we found that SCORE paid the contractor even though the contractor did not sufficiently document what work had been performed and how it supported Sandy-related efforts. On June 25, 2013, 5 days before the date of the contractor's proposal, the company submitted its first invoice to SCORE for a prepayment of 50 percent of the total estimated costs ($15,600). SCORE paid this amount the next day, even before the proposal had been submitted. One year later, on June 25, 2014, SCORE paid the contractor the remaining $15,600, even though the contractor submitted no invoice or information about work the contractor or its subcontractor had performed. Because the work was not sufficiently competed, approved, or supported, we question $31,200 charged to the Sandy grant as unsupported.

Client Follow-up Services

SCORE paid an individual $30,000 in three monthly installments of $10,000 to conduct a Sandy client survey. According to SCORE personnel, SBA required that every client served under the Sandy grant be contacted directly and uniformly. To accomplish this, SCORE posted a "short" request for proposals on Craigslist and received only a couple of responses.

Uniform Administrative Requirements for Grants and Agreements with Institutions for Higher Education, Hospitals, and other Non-Profit Organizations (2 CFR Part 215.2), which was in place at the time of the award, states all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Because SCORE did not request potential bidders to submit proposals with proposed pricing for this service, it did not perform a cost or price analysis. Instead, SCORE selected an individual and paid $30,000, which it felt was comparable to a SCORE full-time employee's compensation for performing similar work.

According to the October 2013 agreement between SCORE and the contractor, the individual was to contact each client who received Sandy-related mentoring and training and obtain yes or no responses to six questions:

- Did you receive any funding for your business after meeting with SCORE?
- Did you add any employees in your business after meeting with SCORE?
- Has your business grown (in revenue) since meeting with SCORE?
- Did you start a new business after meeting with SCORE?
- Was SCORE's service helpful?
- Would you like to be contacted by a SCORE mentor for additional assistance?

We question whether the results of this survey were helpful in determining the impact of SCORE's Sandy-related efforts. While the contractor asked the individuals general questions, the contractor did not ask if individuals were affected by Sandy or received Sandy-related services from SCORE.

Because this contract was not approved and not competitively awarded, we question the $30,000 SCORE paid to this contractor as unsupported.

Training Workshop Fees

SCORE provided workshops and counseling to Sandy-impacted areas. The Sandy grant covered the costs to put on these workshops, such as supplies, materials, and overhead costs. These workshops supported the core goals of SCORE's Sandy-related efforts and as such, were a reasonable use of Sandy funds.

However, we found that SCORE also charged unallowable participation fees to the grant for these same workshops. According to the NoA, SCORE was not allowed to charge or accept fees as payment from the workshop participants. While SCORE did not charge the workshop participants as it normally would for non-Sandy workshops, SCORE did charge the grant for workshops held in 10 chapters, effectively circumventing the grant requirement in order to receive revenue for putting on the workshops. To generate the income that chapters would have lost due to SBA's restriction, SCORE charged $27,375 in workshop fees to the grant and distributed these funds to the 10 chapters within 6 states.

SCORE's accounting records showed SCORE paid the 10 chapters amounts that ranged from $525 to $7,650, as "workshop participation disbursements." (See Appendix IV for distribution of funds among the 10 chapters.) SCORE personnel told us they did not believe SBA's requirement prevented them from charging the fees to the grant instead of charging the participants directly. Because SCORE did not comply with SBA's grant requirement that forbade the grant recipient to charge or accept fees as payment for any individual counseling or training services SCORE provided under the grant, we question the $27,375 in participant fees SCORE charged to the grant as an unallowable cost.

Unsupported Advertising Costs

In July 2013, SCORE paid a New Jersey newspaper $4,575 for two full-page color ads without an invoice or other supporting documentation to demonstrate that the costs were valid and benefitted the Sandy grant project. We noted that the only support SCORE used to make the payment was an email from the vendor that contained estimated costs. The email did not contain the specific dates the ads were to run or a description of the ads' contents. SCORE personnel acknowledged the lack of support for this payment when they cautioned the vendor that SCORE's procedures would not allow them to make a subsequent payment for additional ads without an invoice. We question the $4,575 payment due to insufficient supporting documentation.

Meal Charges

SCORE used grant funds totaling $5,160 to reimburse a volunteer for meals purchased during meetings. We consider these charges unallowable. SCORE's accounting records showed that the volunteer requested reimbursement for meals purchased at various restaurants on 58 separate occasions between April 2013 and November 2013.

According to the CFR, meals for meetings are allowable so long as the primary purpose is "the dissemination of technical information."[6] However, we found that neither the volunteer nor, by extension, SCORE, could demonstrate the purpose of the meetings or what was discussed. As support for these meals, the volunteer generally submitted the signature slip of a credit card receipt with the notation "Sandy" and the names of individuals with whom the volunteer dined, and SCORE paid. When we tried to obtain documentation from the volunteer to support the purpose of the meetings, such as a planner or meeting notes, the volunteer told us he did not have any records. According to the volunteer, the meetings, which receipts indicated occurred during various times of the day and night, were conducted "on the fly" with influential people in the community. SCORE personnel told us all volunteers must agree to abide by SCORE's code of ethics and that they trusted the volunteer was conducting Sandy-related business. However, because SCORE could not provide documentation to support that the purpose of the volunteer's meetings was to communicate technical information related to Sandy, we consider the $5,160 reimbursed to the volunteer as unsupported, and therefore, unallowable.

Conclusion

SBA did not implement processes to sufficiently oversee SCORE's financial and programmatic performance for the Sandy grant despite OMB's requirement for increased internal controls.[7] This heightened level of oversight was especially critical for SBA because the agency has yet to develop and implement regulations, policies, or procedures for its SCORE volunteer program since it was transferred to SBA in 1975. For most of the Sandy issues we identified, SCORE attributed the noncompliances to guidance it received from OED. Until SBA develops and implements effective regulations, policies, and procedures for SCORE, the agency will be less equipped to identify, assess, and manage risks associated with SCORE's accounting and use of grant funds.

Recommendations

To increase oversight and compliance with grant requirements, we recommend that the Deputy Associate Administrator for the Office of Entrepreneurial Development:

1. Review the expenditures for the $153,048 transfer of Sandy funds to ensure these costs are allowable, and document the rationale for approving the transfer.

2. Develop and implement policies and procedures to ensure

    a. the reallocation of funds between budget cost categories is assessed for the percentage of increases and decreases on a quarterly basis,

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[6] 2 CFR Part 230, Cost Principles for Non-Profit Organizations (January 1, 2012).
[7] OMB M-13-07, Memorandum for the Heads of Executive Departments and Agencies, *Accountability for Funds Provided by the Disaster Relief Appropriations Act* (March 12, 2013).

b. the SCORE volunteer program uses current standards for internal control in the Federal Government as a guide,

c. SBA personnel conduct grant closeout procedures for SCORE's disaster grants, and

d. SCORE submits copies of proposed contracts to SBA for approval before executing the contracts.

3. Remedy $140,488 in unsupported management and consulting expenses.

4. Remedy $31,200 in unsupported web-design expenses.

5. Remedy $30,000 in unsupported costs related to Sandy client follow-up.

6. Recover $27,375 for unallowable workshop fees charged to the Sandy grant.

7. Remedy $4,575 for unsupported advertising expense.

8. Remedy $5,160 for unsupported and unallowable meetings.

9. Ensure SCORE revises its operating manual and accounting policies and procedures to include controls and processes for travel expenditures that provide reasonable assurance that SCORE and its chapters are aware of and comply with the NoA, OMB uniform grant guidance for Federal awards, and the Federal Travel Regulation.

Finding 2: SCORE's Sandy Financial and Performance Data Did Not Adequately Report Actual Impact

SBA exempted SCORE from submitting two types of required reports on a quarterly basis, and instead, allowed these reports to be submitted at the end of the Sandy grant period. The NoA and program announcement required SCORE to submit (1) financial reports (SF-425 and accompanying budget justification worksheets), which provide information on funds spent and the unobligated amounts remaining in the grant, and (2) program performance reports, which provide information on the status of grant-funded activities. Instead, SBA received from SCORE one financial report and individual state-level performance reports. According to an SBA official, the exemption was provided due to the anticipated short timeframe to expend disaster funds. Although this was reasonable for the initial 6-month timeframe, SBA should have reevaluated their guidance once Congress granted the 1-year extension. As a result, SBA's oversight was limited, and it is uncertain what impact the $840,000 grant had on helping individuals and small businesses affected by Hurricane Sandy.

Financial Reporting

SCORE did not accurately report its Sandy fund balance in the financial reports. We determined that as of July 2013, SBA authorized $7.28 million in grant funds for SCORE during FY 2013, as shown in Table 3.

Table 3. Level of Grant Funding SBA Authorized for SCORE During FY 2013

Date Authorized	Amount	Cumulative
October 10, 2012	$2,333,333	
January 17, 2013	$816,667	$3,150,000
April 16, 2013*	$840,000	$3,990,000
May 2, 2013	$1,683,000	$5,673,000
July 16, 2013	$1,607,000	$7,280,000
Total Authorized	**$7,280,000**	

Source: SCORE's FY 2013 core NoA and subsequent grant modifications.
* Hurricane Sandy disaster funding

However, based on the financial reports for FY 2013 that SCORE submitted to SBA, we determined that SCORE personnel reported $7.24 million—not $7.28 million—to compute SCORE's authorized funds balance for July through September 2013. Because of this understatement, SCORE reported to SBA that its Sandy fund balance for September 30, 2013, was $235,593 instead of $275,593, the correct amount. When we pointed out this discrepancy to SCORE personnel, they confirmed that $275,593 was the correct amount and offered to correct and resubmit the financial reports to SBA.

We believe both SCORE and SBA may have missed the opportunity to identify the $40,000 understatement of its Sandy fund balance, in part, because SCORE did not submit discrete and separate quarterly SF-425 forms to SBA for its Sandy grant as the program announcement and the NoA required. Instead, SBA allowed SCORE to submit one final SF-425 to SBA in April 2014, reporting on the combined Sandy funds ($840,000) with the funds of its FY 2013 core grant ($6.4 million), for the performance period from October 2012 to December 2013. Additionally, SCORE did not submit any of the quarterly Budget Justification Narrative Worksheets for Sandy that the program announcement and NoA required. These worksheets were to contain SCORE's original Sandy budget approved by SBA, cumulative expenditures, and expenditures for the current reporting period, with each line item (cost category) specifically addressed. The SF-425 and Budget

Justification Narrative Worksheets would have allowed SBA to track SCORE's Sandy spending quarterly and compare expenditures with quarterly performance activity.

Performance Reporting

We also found that SCORE's performance reports did not effectively or reliably indicate the impact on Sandy-related efforts. Both SCORE's technical proposal and the NoA presented four goals of the Sandy funds. (See Table 4.)

Table 4. SCORE's Performance Goals for Sandy Project Phase 1

Performance Metric	Goal
Engage Chapters	30
Volunteer Participation	500
Mentor Clients	1,100
Train Clients	4,000

Source: SCORE's technical proposal and modified NoA for Sandy Phase 1.

SCORE's quarterly performance reports were meant to inform SBA about SCORE's progress towards meeting approved Sandy goals. In the reports, SCORE was required to (1) discuss problems encountered and steps taken or proposed to correct those problems, (2) compare project tasks to actual accomplishments and identify reasons for slippage and a plan of action to address those reasons, and (3) submit copies of resumes and subcontracts pertaining to the current budget period, if not previously submitted.

SBA permitted SCORE to be more lax in its reporting than originally required in the program announcement and NoA because of the initial short timeframe to expend disaster funds. Both SCORE and OED personnel told us SBA exempted them from submitting performance reports quarterly, and instructed them to provide state-level performance reports. In doing so, SBA compromised the integrity of the data, as certain categories have little or no documentation to support reported numbers. The quarterly report could have provided SCORE and SBA the opportunity to pinpoint systematic weaknesses in their performance and to determine future methods of improvement, which would have benefitted future grant administration. However, because SBA decided to forgo this reporting, we have little assurance that SCORE has made a meaningful analysis of performance and corrective actions. For example, SCORE never compared targeted performance to actual performance, as required by the program announcement and the NoA. By foregoing quarterly reporting requirements, SBA jeopardized the reliability of the content—and therefore its usefulness in measuring actual impact.

Ultimately, SCORE submitted three different kinds of reports containing various performance data: (1) state reports, (2) a final grant summary report, and (3) monthly data submitted to OED's Entrepreneurial Development Management Information System (EDMIS). First, instead of submitting quarterly performance reports to SBA for Sandy Phase 1, SCORE submitted one individual performance report to SBA for each of the 11 states (not including Puerto Rico) where it provided disaster-related services. These state-level reports contained data that could be linked to the four performance metrics in Table 4 and SCORE's final grant summary report. Second, after its Sandy project ended in December 2013, SCORE submitted a comprehensive final grant summary report to the agency. Third, SCORE also submitted required monthly Sandy performance data through its system, which interfaces and transfers this data to SBA's EDMIS.

According to the summary report, SCORE accomplished its goal of engaging 30 chapters in Sandy-related work. However, between these three reports, we have no clear and supported data on the remaining performance measures (clients mentored, clients trained, and number of volunteers). These reports were insufficient in determining overall goal progress because performance numbers (such as the number of volunteer or workshop participants) had little or no support documenting the impact, and the numbers often conflicted between the EDMIS and summary and state reports.

> *Number of Clients Mentored and Trained.* Neither the summary report nor the state reports provided verifiable numbers for Sandy-specific clients served using grant funds. First, the summary report did not address performance outcomes for clients served during Phase 1's extended timeframe from October 2013 to December 2013. Second, we could not verify the state-level data regarding the number of clients served. For instance, while the performance reports collectively indicated SCORE counseled and trained 1,070 individuals during workshops, the grant recipient did not keep attendee records and could not provide us with the names of workshop participants. According to SCORE personnel, SBA did not require them to report the names of workshop attendees or the names of volunteers who counseled, trained, and mentored Sandy-affected individuals and businesses. Instead, SBA only required a count of attendees per workshop.
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> *Number of Participating Volunteers.* Similarly, SCORE personnel could not identify the 3,359 volunteers reported who devoted time to Sandy activities. Without a list of names or concrete data, we could not determine whether the reports were accurate. SCORE could only provide us a list of current volunteers from its real-time database. While we acknowledge that the real-time database is a helpful tool, SBA should capture data of all volunteers.

Besides SCORE's reported performance not effectively or reliably measuring the impact on Sandy-related efforts, the four established performance goals focused on outputs, such as the number of SCORE chapters engaged rather than outcomes (the results of those services). According to OMB, Federal agencies operate more effectively, when they focus on outcomes, and set clear and measurable goals to clarify priorities. In our opinion, without effective measures of program performance, SBA is unable to determine whether SCORE achieved expected outcomes for the use of the Sandy grant funds. Effectively tracking and reporting on the performance of grants is critical for SBA to determine whether it is achieving its program goals and to ensure transparency and accountability for Federal grant spending.

In addition to these issues, we found that the data entered into EDMIS was unreliable, as it conflicted with the data entered into SCORE's own system and with the state reports. SCORE personnel could not provide us the underlying source data to support the required Sandy performance data the grant recipient entered into OED's EDMIS. Further, the state-level performance numbers in EDMIS were not consistent with the data SCORE reported in state-level performance reports. For example, the West Virginia state-level performance report stated 21 people were trained. However, EDMIS stated 74 people were trained for West Virginia. Because we do not have the names of the training participants, we cannot confirm which number is correct.

Conclusion

We conclude that the lack of quarterly financial and performance reports coupled with misreported, unreliable, and unsupported data impaired OED's ability to monitor SCORE's performance to determine whether the $840,000 SBA awarded to SCORE actually helped individuals and small businesses recover from Hurricane Sandy.

Recommendations

To increase reporting accuracy, we recommend that the Deputy Associate Administrator for the Office of Entrepreneurial Development:

10. Develop and implement policies and procedures to ensure

    a. SCORE provides quarterly financial and performance reports as dictated in the NoA and

    b. future disaster grants awarded to SCORE are issued separate from SCORE's core award to ensure the grant award is reported on separately by SCORE and monitored separately by SBA.

11. Ensure that SCORE develops a method to capture performance data in order to properly support reported results.

12. Develop specific measurements to evaluate SCORE's performance goals on disaster technical assistance grants.

Analysis of Agency Response

SBA management provided formal comments, which are included in their entirety in Appendix VII. OED's planned actions resolve 4 of our 12 recommendations; however, we did not reach resolution on 6 recommendations to recover or remedy unallowable costs, 1 recommendation to develop a method to support reported results, and 1 recommendation to establish specific performance metrics to evaluate SCORE's disaster grant performance.

Summary of Actions Necessary to Close the Report

This section provides the status of each recommendation and necessary action to either resolve or close each recommendation.

1. **Resolved**. OED concurred with our recommendation and plans to complete final action on this recommendation by September 1, 2017. This recommendation can be closed upon OED providing evidence supporting that it reviewed the $153,048 transfer of funds, determined whether the costs are allowable, and documented its rationale for approving the transfer.

2. **Resolved.** OED concurred with our recommendation and plans to complete final action on this recommendation by September 1, 2017. This recommendation can be closed upon OED providing evidence supporting that it developed a standard operating manual to govern all components of the SCORE grant program.

3. **Unresolved.** OED concurred with our recommendation and stated that it will ensure that SCORE's revised operating manual and accounting policies and procedures include provisions for preventing unsupported and unallowable expenses. Additionally, OED will provide SCORE enhanced technical assistance for sound management of its grants and compliance with OMB uniform grant guidance, as well as conduct site visits of the SCORE Association. OED plans to complete final action on this recommendation by September 1, 2017.

While the enhanced controls over financial management and oversight may prevent SCORE from making future unsupported and unallowable expenditures, the proposed corrective action did not remedy the unsupported costs of $140,488 for management and consulting expenses. As outlined in the report, because of deficiencies with contract awards and the lack of documentation supporting Sandy-related services, we considered these costs as unsupported. This recommendation can be resolved when OED agrees to remedy the $140,488 for unsupported management and consulting expenses. If within 60 days after the report date OED and OIG do not reach agreement, OIG will notify the Audit Follow-up Official of the disputed issue.

4. **Unresolved.** OED concurred with our recommendation and stated that it will ensure SCORE's revised operating manual and accounting policies and procedures include provisions for preventing unsupported and unallowable expenses. Additionally, OED will provide SCORE enhanced technical assistance for sound management of its grants and compliance with OMB Uniform Guidance, as well as conduct site visits of the SCORE Association. OED plans to complete final action on this recommendation by September 1, 2017.

   While the enhanced controls over financial management and oversight may prevent SCORE from making future unsupported and unallowable expenditures, the proposed corrective action did not remedy the unsupported costs of $31,200 for web-design expenses. As outlined in the report, because of deficiencies with contract awards and the lack of documentation supporting Sandy-related services, we considered these costs as unsupported. This recommendation can be resolved when OED agrees to remedy $31,200 for unsupported web-design expenses. If within 60 days after the report date OED and OIG do not reach agreement, OIG will notify the Audit Follow-up Official of the disputed issue.

5. **Unresolved.** OED concurred with our recommendation and stated that it will ensure SCORE's revised operating manual and accounting policies and procedures include provisions for preventing unsupported and unallowable expenses. Additionally, OED will provide SCORE enhanced technical assistance for sound management of its grants and compliance with OMB uniform grant guidance, as well as conduct site visits of the SCORE Association. OED plans to complete final action on this recommendation by September 1, 2017.

   While the enhanced controls over financial management and oversight may prevent SCORE from making future unsupported and unallowable expenditures, the proposed corrective action did not remedy the unsupported costs of $30,000 related to Sandy client follow-up. As outlined in the report, because of deficiencies with contract awards and the lack of documentation supporting Sandy-related services, we considered these costs as unsupported. This recommendation can be resolved when the OED agrees to remedy $30,000 for unsupported costs related to Sandy client follow-up. If within 60 days after the report date OED and OIG do not reach agreement, OIG will notify the Audit Follow-up Official of the disputed issue.

6. **Unresolved.** OED did not concur with our recommendation and stated that it is not in a position to either agree or disagree. OED plans to conduct a review of the workshop fees upon issuance of this report, and after it completes its review, it will have the necessary knowledge to either agree or disagree with this recommendation. OED anticipates reaching

a management decision on this recommendation within 120 days from the issue date of this report.

The audit follow-up policy allows for 60 days after the date of the final audit report to reach agreement. Therefore, OED should complete its review of the disputed workshop fees and notify OIG of its management decision within 60 days, not 120 days as it proposed.

We maintain our position that OED should recover the $27,375 for the unallowable workshop fees. According to the NoA, SCORE was not allowed to charge or accept fees as payment from the workshop participants. While SCORE did not charge the workshop participants as it normally would for non-Sandy-related workshops, SCORE charged the grant for the workshops held in 10 chapters, effectively circumventing the grant requirement in order to receive revenue for holding the workshops. This recommendation can be resolved when OED agrees to recover the $27,375 for unallowable workshop fees, as SCORE was not allowed to charge such fees per the grant agreement. If within 60 days after the report date OED and OIG do not reach agreement, OIG will notify the Audit Follow-up Official of the disputed issue.

7. **Unresolved.** OED concurred with our recommendation and stated that it will ensure SCORE's revised operating manual and accounting policies and procedures include provisions for preventing unsupported and unallowable expenses. Additionally, OED will provide SCORE enhanced technical assistance for sound management of its grants and compliance with OMB uniform grant guidance, as well as conduct site visits of the SCORE Association. OED plans to complete final action on this recommendation by September 1, 2017.

   While the enhanced controls over financial management and oversight may prevent SCORE from making future unsupported and unallowable expenditures, the proposed corrective action did not remedy the unsupported costs of $4,575 for advertising expenses. As outlined in the report, because of insufficient supporting documentation, we considered these costs as unsupported. This recommendation can be resolved when OED agrees to remedy the $4,575 for unsupported advertising expenses. If within 60 days after the report date OED and OIG do not reach agreement, OIG will notify the Audit Follow-up Official of the disputed issue.

8. **Unresolved.** OED concurred with our recommendation and stated that it will ensure SCORE's revised operating manual and accounting policies and procedures include provisions for preventing unsupported and unallowable expenses. Additionally, OED will provide SCORE enhanced technical assistance for sound management of its grants and compliance with OMB uniform grant guidance, as well as conduct site visits of the SCORE Association. OED plans to complete final action on this recommendation by September 1, 2017.

   While the enhanced controls over financial management and oversight may prevent SCORE from making future unsupported and unallowable expenditures, the proposed corrective action did not remedy the unsupported and unallowable costs of $5,160 for meal charges. As outlined in the report, because SCORE could not provide documentation to support that the purpose of the volunteer's meetings was to communicate technical information related to Sandy, we considered these costs as unsupported and unallowable. This recommendation can be resolved when OED agrees to remedy $5,160 from SCORE for unsupported and unallowable meetings. If within 60 days after the report date OED and

OIG do not reach agreement, OIG will notify the Audit Follow-up Official of the disputed issue.

9. **Resolved**. OED concurred with our recommendation and plans to complete final action on this recommendation by September 1, 2017. This recommendation can be closed upon OED providing evidence supporting that OED reviewed SCORE's revised operating manual and accounting policies and procedures to ensure that provisions for the payment of travel expenditures are consistent with the NoA, OMB uniform grant guidance for Federal awards, and the Federal Travel Regulation.

10. **Resolved**. OED concurred with our recommendation and plans to complete final action on this recommendation by September 1, 2017. This recommendation can be closed upon OED providing evidence supporting that OED developed policies and procedures to monitor, provide accountability, and oversee the SCORE grant consistent with SBA's Management of Grants and Cooperative Agreements SOP.

11. **Unresolved**. OED concurred with our recommendation and stated that SCORE should develop a method to capture performance data to demonstrate performance, progress, and results. OED plans to complete final action on this recommendation by September 1, 2017.

    Although management agreed that SCORE should develop a method to capture performance data to support reported performance, this action is partially responsive as we directed this recommendation to OED. This recommendation can be resolved upon OED agreeing that it will ensure SCORE develops a method to capture performance data to demonstrate performance, progress, and results. If within 60 days after the report date OED and OIG do not reach agreement, OIG will notify the Audit Follow-up Official of the disputed issue.

12. **Unresolved**. OED concurred with our recommendation and stated that SCORE should develop specific performance metrics to evaluate its disaster grant performance. OED plans to complete final action on this recommendation by September 1, 2017.

    Although management agreed that SCORE should develop performance metrics to evaluate its disaster grant performance, this action is partially responsive as we directed this recommendation to OED. While it may be feasible for SCORE as a stakeholder to provide input in developing the performance metrics, SBA as part of its oversight function has the responsibility to develop outcome-based metrics that allow for an effective assessment of program performance. This recommendation can be resolved upon OED agreeing to developed specific performance metrics to evaluate SCORE's disaster grant performance. If within 60 days after the report date OED and OIG do not reach agreement, OIG will notify the Audit Follow-up Official of the disputed issue.

Appendix I: Objective, Scope, and Methodology

We audited the $840,000 grant SBA awarded to the SCORE Association for Phase 1 of the agency's Hurricane Sandy disaster technical assistance grants. Our objective was to determine whether SCORE complied with grant requirements related to Federal expenditures and program performance.

In conducting this audit, we interviewed SCORE personnel and SBA personnel within OED. We reviewed applicable Federal laws, Federal regulations, and SBA policies and procedures. We also reviewed records from SBA's file for SCORE's Sandy grant award and SCORE's accounting records.

We tested a judgmentally selected sample of financial transactions from SCORE's general ledger for Sandy Phase 1 using a risk-based approach. The general ledger contained transactions that pertained to the $840,000 in costs SCORE incurred from April 2013 to December 2013. We performed transaction-level testing on the validity of expenditures for which an individual or business solely or collectively received the highest dollars within a given general ledger account. We traced the transaction-level data to the underlying source documents that supported the costs. We sampled from transactions within general ledger accounts that supported SCORE's actual costs incurred, as shown in Table 5.

Table 5. Amount of SCORE's Actual Costs the OIG Sampled

Cost Category	Actual Cost Incurred	Amount Sampled	Percentage Sampled
Personnel Services GL Account: Salaries	$20,754	$11,681	56%
Fringe	$7,105	-	-
Travel GL Accounts: Travel, Meetings	$180,547	$64,739	36%
Equipment GL Account: Equipment	$8,948	-	-
Supplies GL Account: Office Expenses	$133,616	$17,119	13%
Contractual GL Accounts: Professional Services Other Contractual Services Website Design & Maintenance Temporary Help	$306,688	$247,254	81%
Other GL Account: Miscellaneous	$44,488	$40,276	90%
Total Direct Costs	$702,146		
Indirect Costs	$137,854		
Total	$840,000	$381,069	45%

Source: Generated by OIG based on SCORE's approved budget and accounting records.

We tested these costs for reasonableness, allowability, and allocability as defined by OMB.

Because SCORE combined Sandy funds with FY 2013 core funds in financial reports it submitted to SBA, we examined SCORE's general ledger and cash disbursement records for the grant recipient's

FY 2013 core grant when we identified anomalies or errors in those reports warranting further examination.[8]

We tested the performance data in state-level performance reports by judgmentally selecting three states and tracing from the data in the report to SCORE's management information system and underlying source documents. We obtained Sandy performance data SCORE entered into SBA's EDMIS and compared it to data in state-level performance reports SCORE submitted to SBA.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Use of Computer-Processed Data

We relied on information from SCORE's general ledger maintained in a Microsoft Excel workbook and supporting documentation for the grant that included invoices for costs incurred by SCORE and expense reports volunteers and chapters submitted to SCORE for payment or reimbursement. We tested the reliability of transaction-level data in the general ledger by comparing accounting entries in the general ledger to source documents. As a result, we believe the financial information was reliable for purposes of this audit.

For performance data in state-level reports, we unsuccessfully attempted to trace the data to source documents, which created reliability concerns about certain aspects of the data. However, we believe data in the state-level reports was sufficiently reliable for the general manner in which we used it in this report (i.e., the number of Sandy volunteers SCORE could not identify).

We did not test or rely on performance data in the Sandy Phase 1 Grant Summary Report that SCORE submitted to SBA because we believed it was more likely than not, data reliability issues we identified with state-level performance data existed for performance data in SCORE's Grant Summary Report. SCORE's state-level performance reports and Grants Summary Report contained some of the same performance metrics; therefore, performance results would have been derived from the same underlying source data.

Nature of Limited or Omitted Information

No information was omitted due to confidentiality or sensitivity, nor were there limitations to information on this audit.

Review of Internal Controls

SBA's standard operating procedure 00 02 2, *Internal Control Systems*, provides guidance on implementing and maintaining effective internal control systems, as required by OMB.[9] OMB Circular A-123 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. According to OMB, agencies are responsible for establishing and

[8] For its core grant, SCORE also submitted forms SF-269, Financial Status Report; SF-272, Federal Cash Transactions Report; and SF-270, Request for Advance or Reimbursement.
[9] OMB Circular A-123, Management's Responsibility for Internal Control (2004).

maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

The scope of this audit was limited to a review of SCORE's Hurricane Sandy disaster technical assistance grant. Therefore, we limited our assessment of internal controls to an evaluation of SCORE's controls governing the financial and programmatic performance of its Sandy grant responsibilities and SBA's oversight of SCORE. We identified weaknesses and deficiencies in SCORE's financial management of the Sandy grant, reporting on its use of Sandy grant funds, reporting on its Sandy grant performance, and maintaining reliable performance data. We also identified weaknesses in OED's oversight of SCORE. We have addressed these weaknesses and deficiencies as causes in this report.

Appendix II: Definition of Allowable, Allocable, and Reasonable Costs

Regarding factors affecting allowability of costs 2 CFR Part 230, Cost Principles for Non-Profit Organizations, states that costs must meet the following general criteria:

(a) Be reasonable for the performance of the award and be allocable thereto under these principles.
(b) Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
(c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
(d) Be accorded consistent treatment.
(e) Be determined in accordance with generally accepted accounting principles.
(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
(g) Be adequately documented.

Additionally, a cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it meets the following:

(a) Is incurred specifically for the award.
(b) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
(c) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

Also, any cost allocable to a particular award or other cost objective under the above principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

Furthermore, 2 CFR Part 230 states that a cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof, which receive the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to the following:

(a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
(b) The restraints or requirements imposed by such factors as generally accepted sound business practices, arm's-length bargaining, Federal and State laws and regulations, and terms and conditions of the award.
(c) Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.
(d) Significant deviations from the established practices of the organization that may unjustifiably increase the award costs.

Appendix III: Hurricane Sandy Disaster-Declared States Where SCORE Chapters Provided Services

Table 6. States Where SCORE Chapters Were to Deliver Services and Actual Number of Chapters That Delivered Services

State Name	Number of Sandy Chapters
Connecticut	7
Delaware	1
Massachusetts	1
Maryland	2
North Carolina	1
New Jersey	9*
New York	10
Pennsylvania	5
Puerto Rico	0
Rhode Island	1
Virginia	**
West Virginia	1

Source: SCORE's modified NoA and performance records.
*   Includes a temporary chapter formed in Atlantic City.
** Virginia used Maryland chapter.

Appendix IV: Workshop Participation Disbursements

Table 7. Workshop Participation Disbursements - November 6, 2013

Chapter Name	State	Amount
Rockland County	New York	$2,025
Staten Island	New York	$4,275
JGE Knight	Rhode Island	$975
Western Connecticut	Connecticut	$3,750
New Haven	Connecticut	$1,350
Fairfield County	Connecticut	$7,650
Monmouth	New Jersey	$3,750
Bergen County	New Jersey	$525
Outer Banks	North Carolina	$1,500
Charleston	West Virginia	$1,575
Total		**$27,375**

Source: Generated by OIG using data from SCORE's general ledger.

Appendix V: SCORE's Approved Budget Compared to Actual Costs Incurred

Table 8a. SCORE's Approved Budget Compared to Actual Costs Incurred

Cost Category	Approved Budget	Actual Spending	Increase	Decrease
Personnel Services	$23,371	$20,754		$2,616
Fringe	$6,543	$7,105	$562	
Travel	$150,341	$180,547	$30,206	
Equipment	$2,386	$8,948	$6,562	
Supplies	$17,898	$133,616	$115,718	
Contractual	$352,143	$306,688		$45,455
Other	$119,318	$44,488		$74,831
Total	**$672,000**	**$702,146**		
Indirect Costs	$168,000	$137,854		$30,146
Total	**$840,000**	**$840,000***	**$153,048**	**$153,048**

Source: Auditor generated based on data obtained from SCORE's Quarterly Expenditures spreadsheet.
*Actual spending numbers were rounded to the nearest whole dollar.

Table 8b. Budget Transfers Not Pre-approved

Actual Budget Transfer
$153,048
18.2%

Source: Generated by OIG based on data in Table 8a above and criteria established in SCORE's modified NoA.

Appendix VI: Questioned Costs

Table 9. OIG Schedule of Questioned Costs for Sandy Funds[10]

Description	Amount	Explanation	Page
Variances – Budgeted to Actual	$153,048	Unallowable Budget Revisions	4
Public Relations Contractor	$140,488	Unsupported	5
IT Contractor	$31,200	Unsupported	6
Sandy Client Follow-up	$30,000	Unsupported	6
Training Workshop Fees	$27,375	Unallowable	7
Advertising Costs	$4,575	Unsupported	8
Meal Charges	$5,160	Unsupported	8
Total Questioned Costs	**$391,846**		

Source: Generated by OIG based on OIG's analysis of recipient financial information.

[10] Questioned costs are expenditures that are not supported by adequate documentation at the time of the audit or otherwise do not comply with legal, regulatory, or contractual requirements.

SBA

DEPUTY ASSOCIATE ADMINISTRATOR, OFFICE OF ENTREPRENEURIAL DEVELOPMENT'S

RESPONSE TO AUDIT REPORT

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

DATE: March 14, 2017

TO: Hannibal M. Ware, Acting Inspector General
Office of Inspector General (OIG)

THROUGH: Eric S. Benderson, Acting General Counsel
Office of General Counsel (OGC)

FROM: Lori M. Gillen, Deputy Associate Administrator
Office of Entrepreneurial Development (OED)

SUBJECT: OIG Draft Report – The SCORE Association's Disaster Technical Assistance Grant (Project Number 15804)

We have reviewed the OIG Draft Report regarding the SCORE Association's Disaster Technical Assistance Grant. The objective of this audit was to determine whether SCORE complied with grant requirements related to Federal expenditures and program performance. Thank you for the opportunity to respond to the Draft Report.

The Office of Entrepreneurial Development (OED) concurs with the OIG's recommendations with the exception of recommendation six. OED will continue to work on improving our internal controls, processes, and procedures to manage disaster technical assistance grants. Please find the Agency's response to each of the recommendations found in the Draft Report.

Recommendation 1:
Review the expenditures for the $153,048 transfer of Sandy funds to ensure these costs are allowable, and document the rationale for approving the transfer.

Explanation of Proposed Action:
Concur. The Office of Entrepreneurship Education (OEE) will request from the SCORE Association documentation supporting the $153,048 in expenditures, conduct a review, and determine whether the costs are allowable. The process will be used to structure technical assistance to SCORE, preventing future occurrences and ensuring SCORE adheres to the requirements in the Notice of Award.
Projected Completion Date: September 1, 2017

Recommendation 2:
2. Develop and implement policies and procedures to ensure:

- *a. The reallocation of funds between budget cost categories is assessed for the percentage of increases and decreases on a quarterly basis.*
- *b. The SCORE volunteer program uses current standards for internal control in the Federal Government as a guide.*

c. *SBA personnel conducts grant closeout procedures for SCORE's disaster grants.*
d. *SCORE submits copies of proposed contracts to SBA for approval before executing the contracts*

Explanation of Proposed Action:
Concur. OEE is developing a Standard Operating Manual (SOM) to govern all components of the SCORE grant program. The SOM will be drafted, reviewed, and disseminated for Agency clearance.
Projected Completion Date: September 1, 2017

Recommendations 3, 4, 5, 7 and 8:
Provide Remedies for the following:

3. *$140,488 in unsupported management and consulting expenses.*
4. *$31,200 in unsupported web-design expenses.*
5. *$30,000 in unsupported costs related to Sandy client follow-up.*
7. *$4,575 for unsupported advertising expense.*
8. *$5,160 for unsupported and unallowable meetings.*

Explanation of Proposed Action:
Concur. OEE proposes to remedy unsupported and unallowable expenditures by ensuring SCORE has included in its revised operating manual and accounting policies and procedures provisions for preventing unsupported and unallowable expenses; providing SCORE with enhanced technical assistance regarding sound management of its grants and compliance with OMB Uniform Guidance; and conducting a site visit to the SCORE Association. Prior to this draft report, SCORE's operational and management documents were updated.
Projected Completion Date: September 1, 2017

Recommendation 6:
Recover $27,375 for unallowable workshop fees charged to the Sandy grant.

Explanation of Proposed Action:
Non-concur. OEE is not currently in a position to either concur or disagree with this recommendation. Once the report is finalized and released, OEE will immediately contact SCORE to commence a due diligence review of the workshop fees finding. OEE anticipates that this review will be concluded within 120 days, and at that point it will possess the necessary knowledge to either concur or disagree with this recommendation.
Projected Completion Date: 120 days after the report is released

Recommendation 9:
Ensure SCORE revises its operating manual and accounting policies and procedures to include controls and processes for travel expenditures that provide reasonable assurance that SCORE and its chapters are aware of and comply with the Notice of Award (NoA), OMB uniform grant guidance for Federal awards, and the Federal Travel Regulation.

Explanation of Proposed Action:
Concur. SBA will review SCORE's revised operating manual and accounting policies and procedures to ensure that provisions for the payment of travel expenditures are consistent with the NoA, OMB uniform grant guidance for Federal awards, and the Federal Travel Regulation. SBA also proposes that SCORE train chapters on allowable practices.
Projected Completion Date: September 1, 2017

Recommendation 10:
Develop and implement policies and procedures to ensure:

a. *SCORE provides quarterly financial and performance reports as dictated in the NoA.*

b. *Future disaster grants awarded to SCORE are issued separate from SCORE's core award to ensure the grant award is reported on separately by SCORE and monitored separately by SBA.*

Explanation of Proposed Action:
Concur. Prior to this draft report, SBA updated its Management of Grants and Cooperative Agreements SOP to provide standardized policies and procedures for the management and administration of all grants awarded by SBA. OEE will develop its policies and procedures consistent with the aforementioned SOP to monitor, provide accountability, and oversee the SCORE grant.
Projected Completion Date: September 1, 2017

Recommendation 11:
Ensure that SCORE develops a method to capture performance data in order to properly support reported results.

Explanation of Proposed Action:
Concur. SCORE should develop a method to capture performance data to demonstrate performance, progress, and results.
Projected Completion Date: September 1, 2017

Recommendation 12:
Develop specific measurements to evaluate SCORE's performance goals on disaster technical assistance grants.

Explanation of Proposed Action:
Concur. SCORE should develop specific performance metrics to evaluate SCORE's disaster grant performance. Currently, SBA is reviewing a NoA that focuses on disaster grants.
Projected Completion Date: September 1, 2017

Please see the attached SBA Form(s) 1824 for additional details.