

# COMPLIANCE REPORT

## SBA'S CONTROLS OVER CASH CONTRIBUTIONS AND GIFTS, FISCAL YEARS 2019-20

REPORT NUMBER 21-10 | March 25, 2021





# EXECUTIVE SUMMARY

Report 21-10

March 25, 2021

## SBA'S CONTROLS OVER CASH CONTRIBUTIONS AND GIFTS, FISCAL YEARS 2019-20

### What OIG Reviewed

This compliance report presents the results of our semiannual evaluation of the Small Business Administration's (SBA's) 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 accomplish our objective, we reviewed various management and financial records, applicable laws, regulations, policies, and procedures, and SBA documents, such as financial management system reports and accounting records.

SBA's ability to receive and use gifts and donations is governed by the nation's annual Consolidated Appropriations Acts, which in fiscal years 2019 and 2020 granted SBA the authority to accept gifts of up to \$4 million.

Before SBA can accept a gift, the Office of General Counsel must determine no conflict of interest exists. In addition, SBA must put any cash gifts into a separate account, and OIG is responsible for semiannual audits to ensure the agency is appropriately using and accounting for such gifts.

### What OIG Found

We determined SBA adequately complied with the Acts and SBA policies regarding the deposits and holding of \$12,499.34 in the Business Assistance Trust Fund.

In FY 2020, the Columbus District Office obtained proper approvals and accepted a \$4,000 unsolicited gift to support lending and outreach in rural southern Ohio. The donor was properly vetted through SBA's program offices to ensure no conflict of interest.

SBA recorded the cash donations and made the funds available to SBA program offices for expenditure. Those funds had not been used as of our evaluation.

The agency used \$21,943.78 in existing cash funds in accordance with the Acts, regulations, and SBA policies. SBA did not report any cash contributions during the period we evaluated.

Overall, we concluded that SBA adequately complied with the Acts, regulations, and SBA policies. However, we noted a control deficiency regarding the extremely overdue closeout of an SBA cosponsored activity.

### OIG Recommendations

This report contains three recommendations to address the late closure of SBA cosponsored activities.

### Agency Response

SBA management agrees with recommendation one and has implemented a centralized database in SBA's internal SharePoint system to store all required documents for cosponsored activities. We consider this recommendation closed.


SBA management did not agree with recommendations two and three. Program officials exhausted efforts to obtain records from the 2011 Office of Women's Business Ownership cosponsored activity. Because of actions SBA has taken as well as the activity occurring over 10 years ago, we agree to close the recommendations.



**U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, D.C. 20416**

**DATE:** March 25, 2021

**TO:** Isabella Guzman  
Administrator

**FROM:** Hannibal "Mike" Ware   
Inspector General

**SUBJECT:** SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2019-20  
(Report 21-10)

This report presents the results of our compliance report, *SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2019-20* (Report 21-10). We considered management's comments on the draft when preparing the final report. Management agreed with one of the three recommendations.

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

cc: Stephen Kong, Acting Chief of Staff  
Arthur Plews, Deputy Chief of Staff  
Tami Perriello, Associate Administrator for Performance and Planning and Chief Financial Officer  
Susan Sweetser, Deputy Assoc. Administrator, Office of Communications and Public Liaison  
Larry Stubblefield, Associate Administrator, Office of Veterans Business Development  
Peggy Delinois Hamilton, General Counsel  
Martin Conrey, Attorney Advisor, Office of General Counsel  
Michael Simmons, Attorney Advisor, Office of General Counsel  
Tonia Butler, Director, Office of Internal Controls  
Rafaela Monchek, Director, Office of Continuous Operations and Risk Management

## Table of Contents

---

What OIG Reviewed.....	2
OIG Recommendations.....	2
Agency Response.....	2
Introduction.....	1
SBA Cosponsored Activities.....	1
Objective.....	2
Finding 1. SBA Complied with the Laws, Regulations, and Policies Governing Acceptance, Holding and Use of Cash Gifts.....	3
Table 1: Use of Business Assistance Trust Funds During Review Period.....	3
Finding 2. SBA Did Not Close Out a Cosponsored Activity in a Timely Manner.....	4
A Check From a 2011 Cosponsorship Activity.....	4
Conclusion.....	5
Recommendations.....	5
Analysis of Agency Response.....	5
Summary of Actions Necessary to Close the Report.....	5
Appendix I: Objective, Scope, and Methodology.....	7
Objective.....	7
Scope and Methodology.....	7
Use of Computer-Processed and Agency Prepared Data.....	7
Review of Internal Controls.....	7
Nature of Limited or Omitted Information.....	8
Previous Work.....	8

## **Introduction**

---

The Small Business Administration (SBA) occasionally receives gifts or offers to cosponsor activities for small businesses. Cosponsors may contribute products and services to support an activity instead of cash. The agency must use and record any gifts received as required by the annual Consolidated Appropriations Acts, SBA policies and procedures, and any terms imposed by the donor.<sup>1</sup> 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 Office of Inspector General (OIG) is required to audit the agency's cash gifts and donations semiannually.

Multiple offices are involved in the administration of SBA's cash gifts. By law, SBA's General Counsel or designee must determine if the agency has any conflict of interest before the agency accepts a cash gift or donation. If counsel finds the potential of or actual conflict of interest, the agency cannot accept the cash gift. If not, an authorized official in the program office receiving the cash gift must sign written documentation to receive it and ensure the gift is properly deposited in a separate account as required by law. SBA has established the Business Assistance Trust Fund as a revolving trust to deposit all donated funds.

### **SBA Cosponsored Activities**

The Office of Strategic Alliances is the administrative office with the authority and responsibility to coordinate the development, implementation, and oversight of SBA's cosponsored activities. SOP 90 75 4, Outreach Activities, details SBA's policy on cosponsorships, strategic alliance memorandums, SBA-sponsored activities, and participation in third-party activities.

Under the SOP, the originating office prepares and submits an SBA Form 1615, Cosponsorship Approval Request and cosponsorship agreement to the Office of Strategic Alliances, who must vet all potential cosponsors. Once the Office of Strategic Alliances completes the vetting process, they forward the vetting results, cosponsorship agreement and SBA Form 1615 to the General Counsel for approval. Then the Office of General Counsel analyzes the proposal for an activity to determine whether a conflict of interest exists and subsequently may sign the SBA Form 1615, Cosponsorship Approval Request, to approve the activity.

If the agreement is in order, the Office of Strategic Alliances will approve the SBA Form 1615 and request approval from the Administrator or designee. Once approved, the originating office will have all cosponsors sign the agreement. The cosponsorship agreement spells out the rights, duties, and responsibilities of SBA and all coordinating parties for the planning and execution of the cosponsored activity.

---

<sup>1</sup> The annual Consolidated Appropriations Acts included language granting SBA's Administrator the authority to accept donations of cash and services.

**Objective**

Our objective for this evaluation was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts from late fiscal year (FY) 19 and FY 20 that we examined.

## **Finding 1. SBA Complied with the Laws, Regulations, and Policies Governing Acceptance, Holding and Use of Cash Gifts**

---

During the period we reviewed, the agency complied with the laws, regulations, and SBA policies for accepting cash gifts. We also determined that SBA complied with the laws, regulations, and SBA policies when holding and using cash contributions and gifts.

In 2020, the responsible program official at SBA’s Columbus District Office accepted a \$4,000 unsolicited gift from the Fifth Third Bank. The donated funds were to be used to support lending and outreach in rural southern Ohio, including training events and enabling access to SBA and other resources in underserved rural counties. The Office of Strategic Alliances vetted the donor, and General Counsel determined that a conflict of interest did not exist between the donor and SBA.

In addition, in 2019 SBA officials deposited a check for \$8,499.34 that remained from a 2011 Office of Women’s Business Ownership cosponsored activity and had been donated as a gift to the agency. SBA officials recorded the 2011 check and \$4,000 gift, totaling \$12,499.34, and deposited the money in the Business Assistance Trust Fund. Although the cash funds were made available to SBA program offices for use, none had been used at the time of our evaluation.

During the review period, SBA officials did use \$21,943.78 of existing trust funds to support agency outreach activities (See Table 1). We concluded the expenses were acceptable uses of the funds under the laws, regulations and SBA policies. However, although we found SBA adequately complied with the laws, regulations, and SBA policies, we found SBA needs to improve controls to ensure timely closeout of SBA cosponsored activities (See Finding 2).

**Table 1: Use of Business Assistance Trust Funds During Review Period**

<b>SBA Office</b>	<b>Purpose for Expense</b>	<b>Amount (Dollars)</b>
Office of Veterans Business Development	Reimbursement of direct grant costs for the Veteran Entrepreneurial Training and Resource Network, Incorporated training program in Massachusetts	\$17,154.83
Office of the Administrator	Booth space at the Made in America Product showcase at the White House	3,038.95
	Rented teleprompter for 2020 National Small Business Week	250.00
Hawaii District Office	Venue and tent for Emerging Leaders graduation	1,200.00
Wichita District Office	Light refreshments for Emerging Leaders graduation	300.00
<b>Total</b>		<b>\$21,943.78</b>

## **Finding 2. SBA Did Not Close Out a Cosponsored Activity in a Timely Manner**

---

SBA did not properly close an activity that took place in 2011, causing confusion over a check for more than \$8,000. OIG has reported previously on the need for better controls over cosponsored activities. We previously reported the problem in OIG Advisory Memorandum 13-21, SBA Enterprise-wide Controls Over Cosponsored Activities (September 16, 2013).

Under SOP 90 75 3, Outreach Activities, the responsible program official must ensure all the proper documentation and paperwork is completed and submitted to Office of Strategic Alliances for the official cosponsorship file.<sup>2</sup> The file must include SBA Form 2299, Final Cosponsorship Report, final budget, and cosponsor's final accounting report and should be completed within 60 calendar days after the conclusion of the cosponsored activity.<sup>3</sup>

The responsible program official is also accountable for all income and expenses related to the activity and should use the fiscal agent's final accounting report to prepare SBA Form 2299 and report on the results of the activity. The program official must ensure any excess cosponsorship funds are distributed or handled as the cosponsors requested. If the excess funds are cash contributions from cosponsors, the money may be returned to the cosponsors or the cosponsors could agree in writing that excess cosponsorship funds (except any funds contributed by an SBA grant recipient) will be a gift to the agency and placed in SBA's Business Assistance Trust Fund.

### **A Check From a 2011 Cosponsorship Activity**

In 2019, the Office of Strategic Alliances received a \$8,499.34 check from a fiscal agent. The check was issued to SBA to return excess funds remaining after an Office of Women's Business Ownership cosponsored activity in 2011. While Office of Strategic Alliances said they randomly received the check, we believe the fiscal agent sent the check as a result of a previous OIG audit.<sup>4</sup> These cash funds were deposited in the Business Assistance Trust Fund.

We requested the official cosponsorship file from the Office of Women's Business Ownership and Office of Strategic Alliances. One official told us he received the \$8,499.34 check from the fiscal agent, conducted research, and determined the activity occurred. However, he said the files from 2011 were destroyed in 2017.

Consequently, we concluded that Office of Strategic Alliances did not actually know the status and final accounting of the 2011 Office of Women's Business Ownership cosponsored activity. During our review, another official told us she contacted the fiscal agent to obtain documentation for the 2011 cosponsored activity, but the fiscal agent did not respond.

---

<sup>2</sup> SOP 90 75 3 took effect April 27, 2007.

<sup>3</sup> This cosponsor is known as the "fiscal agent" and is responsible for collecting, managing, and disbursing the cosponsorship funds.

<sup>4</sup> OIG Report 19-12, Audit of SBA's Oversight of the SCORE Association (April 25, 2019).



Because of the lack of documentation for the \$8,499.34 in excess funds that remained after the cosponsored activity in 2011, it is unclear whether the responsible program official complied with SOP requirements to submit the required documents within 60 days of the conclusion of the cosponsored activity. We determined that Office of Strategic Alliances had not established adequate controls, such as a reporting system, to ensure all cosponsored activities were properly closed out by the deadline. As a result, these funds may have been at risk of improper, inappropriate, unallowed, or even, fraudulent activity.

## **Conclusion**

Responsible program officials have a responsibility to oversee and account for all funds collected in support of cosponsored activities. In addition, responsible program officials and the designated fiscal agent must ensure appropriate use and accounting of cosponsorship funds. Robust review procedures minimize the risk of undetected improper or inappropriate, unallowed, or even fraudulent activity .

## **Recommendations**

We recommend that the Administrator direct the Associate Administrator for the Office Communications and Public Liaison to work with the Office of Strategic Alliances director to:

1. Develop and execute adequate controls, such as a reporting system, and system of records to ensure all required documents are maintained in the cosponsored activity file and that all active cosponsored activities are properly closed out by the deadline.
2. Obtain the fiscal agent's final accounting report for the 2011 Office of Women's Business Ownership cosponsored activity and validate the income and expenses.
3. Collaborate with the responsible program official to complete and file the SBA Form 2299, Final Cosponsorship Report, related to the 2011 Office of Women's Business Ownership cosponsored activity.

## **Analysis of Agency Response**

SBA management provided recommendation action sheets for each recommendation that indicated actions taken. They agreed with recommendation 1, and its action resolves the recommendation. Management disagreed with recommendations 2 and 3, however took actions to address the recommendations. We consider the three recommendations in this report to be closed.

## **Summary of Actions Necessary to Close the Report**

The following provides the status of the recommendations and necessary actions to close them.

1. **Closed.** Management agreed with our recommendation, stating in order to create a systematized and uniform set of internal controls related to the creation and management of the Office of Strategic Alliances agreements, they have created a centralized database of their agreement information in SBA's internal SharePoint system. The system went live in February 2021, and this centralized, electronic system will ultimately enable Office of Strategic Alliances staff to review all available data related to vetting, strategic alliance memorandums, gifts, cosponsorships, and memorandums of understanding. In addition, the new system will allow agreements and vetting documents to be stored beside the relevant database information, rather than placing files in remote storage systems. In the past,

information on agreements and agreements themselves were stored in a variety of locations – not all of which were accessible by all members of the Office of Strategic Alliances team.

In addition, Office of Strategic Alliances has moved to DocuSign, which in addition to other things, immediately sends finalized agreements to the Office of Strategic Alliances staff. In the past, the Office of Strategic Alliances was dependent on the responsible program official to return finalized agreements to them. Management proposed actions satisfy the intent of the recommendation. We consider this recommendation to be closed with no further action needed.

2. **Closed.** Management disagreed with our recommendation, stating the fiscal agent nor SBA has any files or materials related to the 2011 Office of Women’s Business Ownership cosponsored activity mentioned in this report. As a result, it impossible to review historical information and glean any information beyond what is already known. The fiscal agent has searched for these files repeatedly as has SBA staff. Attempts to locate this information were made by the Office of Strategic Alliances directors of in September 2019, June 2020, July 2020, and March 2021. A final accounting report cannot be obtained. Based on actions program officials have taken to address this recommendation as well as the time lag since the 2011 Office of Women’s Business Ownership cosponsored activity, we agree to close this recommendation with no further action needed.
3. **Closed.** Management disagreed with our recommendation stating the responsible program official is no longer with the agency. The responsible program official would have managed the agreement and any interactions with the outside organization. Given the lack of files and the lack of staff who were involved in this activity, there is no way to complete a final cosponsorship report. Attempts to locate this information were made by the Office of Strategic Alliances directors in September 2019 and June 2020. Based on actions program officials have taken to address this recommendation as well as the time lag since the 2011 Office of Women’s Business Ownership cosponsored activity, we agree to close this recommendation with no further action needed.

## **Appendix I: Objective, Scope, and Methodology**

---

### **Objective**

Our objective for this evaluation was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts period spanning late FY 2019 and FY 2020 that we examined. To accomplish our objective, we reviewed management and financial records for FYs 2020 and 2019. We also reviewed applicable laws, regulations, policies and procedures, and SBA documents, such as internal and external correspondence, and financial management system reports and accounting records.

### **Scope and Methodology**

Our scope included an assessment of activity for cash contributions and gifts from June 18, 2019 to September 30, 2020. To identify these transactions, we analyzed Business Assistance Trust Fund activity. We filtered the data to identify deposits and expenses and tested the applicable transactions to assess whether SBA's controls were adequate.

We verified that the Offices of Strategic Alliances and General Counsel cooperated to approve the acceptance of a \$4,000 cash gift for the Columbus District Office. We also assessed whether program offices adequately collaborated with the Office of the Chief Financial Officer to obligate Business Assistance Trust Funds before spending and if funds were used in accordance with SBA regulations and policy.

We conducted this evaluation in accordance with the Council of Inspectors General on Integrity and Efficiency quality standards for inspection and evaluation. These 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 objectives. We believe the evidence provides a reasonable basis for our conclusions based on our objectives.

### **Use of Computer-Processed and Agency Prepared Data**

We relied on the data prepared by SBA program offices, as well as reports generated from the Joint Administrative and Accounting Management System (JAAMS). SBA identified the entities who donated cash gifts. We believe the information is reliable for the purposes of this evaluation.

### **Review of Internal Controls**

The Office of Management and Budget (OMB) Circular No. A-123 provides guidance to federal managers to improve accountability and effectiveness of federal programs through sound enterprise risk management practices and by establishing, maintaining, and assessing internal control effectiveness.<sup>5</sup>

Management is also responsible for establishing and maintaining internal controls to achieve specific objectives for operations, reporting, and compliance. SBA has issued a Gifts to the Agency

---

<sup>5</sup> OMB M-16-17, OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control (July 15, 2016).

SOP to address internal controls regarding the solicitation, acceptance, holding and use of cash contributions and gifts. We used established criteria in the SOP for our testing.

The control deficiency we noted during our evaluation relates to the administrative closeout of SBA cosponsored activities. We note that SBA's Outreach Activities SOP is currently being updated and should address this control deficiency.

### **Nature of Limited or Omitted Information**

No information was omitted due to confidentiality or sensitivity, and there were no limitations to information during this evaluation.

### **Previous Work**

Between 2012 and 2020, OIG issued the following reports related to the agency's gift authority:

1. *SBA's FY 2019 Cash Contributions and Gifts* (SBA OIG Report 20-06, February 11, 2020)
2. *SBA's FY 2018 and 2019 Cash Contributions and Gifts* (SBA OIG Report 19-14, June 19, 2019)
3. *Evaluation of SBA Controls Over FY 2017 and 2018 Cash Contributions and Gifts* (SBA OIG Report 18-25, September 20, 2018)
4. *Evaluation of SBA's FY 2016 and 2017 Cash Contributions and Gifts* (SBA OIG Report 18-05, November 20, 2017)
5. *Evaluation of SBA's FY 2015 and 2016 Cash Gifts* (SBA OIG Report 16-21, August 23, 2016)
6. *Evaluation of SBA's 2014 and 2015 Cash Gifts* (SBA OIG Report 15-08, March 18, 2015)
7. *Evaluation of SBA's 2013 and 2014 Cash Gifts* (SBA OIG Report 14-17, August 27, 2014)
8. *Evaluation of SBA's 2012 Cash Gifts* (SBA OIG Report 13-20, September 30, 2013)
9. *SBA Enterprisewide Controls Over Cosponsored Activities* (SBA OIG Report 13-21, September 30, 2013)
10. *Review of the SBA's Fiscal Year 2011 Cash Gifts* (SBA OIG Report 12-13, March 30, 2012)