

EVALUATION OF SBA'S AWARD PROCEDURES FOR
THE CORONAVIRUS AID, RELIEF, AND ECONOMIC
SECURITY ACT ENTREPRENEURIAL DEVELOPMENT
COOPERATIVE AGREEMENTS

REPORT NUMBER 21-11 | MARCH 30, 2021





EXECUTIVE SUMMARY

EVALUATION OF SBA'S AWARD PROCEDURES FOR THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT ENTREPRENEURIAL DEVELOPMENT COOPERATIVE AGREEMENTS

Report No.
21-11

March 30,
2021

What OIG Reviewed

We evaluated the Small Business Administration's (SBA) handling of economic relief funding to educate, train, and advise small business owners and entrepreneurs on practices necessary to reduce the economic effects of the Coronavirus Disease 2019 (COVID-19) pandemic. The SBA Office of Entrepreneurial Development (OED) oversees a network of centers promoting small business growth through entrepreneurial development, training, and counseling. Within OED, the Office of Small Business Development Centers and the Office of Women's Business Ownership administer two programs that include a nationwide network of Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs). OED also collaborates with America's SBDC and Association of WBCs for many of its entrepreneurial development initiatives.

The President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law on March 27, 2020, to provide economic relief to our nation's small businesses. One of the Act's provisions provided \$265 million for SBA entrepreneurial development programs. Of the \$265 million, Congress specified allocations resulting in \$192 million made available for SBDCs, \$48 million available for WBCs, and the remaining \$25 million for developing an online training portal known as the Resource Partners Training Portal (RPTP).

Our objective was to determine whether SBA awarded the CARES Act entrepreneurial development cooperative agreements and grants in accordance with applicable federal laws, regulations, and other guidance.

To accomplish our objective, we reviewed the CARES Act, laws, regulations, and the policies and procedures SBA used to award the CARES Act entrepreneurial development cooperative agreements and grants. We reviewed the funding opportunity announcements, and RPTP performance metrics plan documentation.

We interviewed program personnel and obtained the required supporting documentation. We

judgmentally selected six CARES Act cooperative agreements and one grant to evaluate, totaling \$41.6 million in funding. Of the six cooperative agreements, we selected two SBDCs and four WBCs. We also selected the one RPTP grant to review.

What OIG Found

SBA awarded the CARES Act entrepreneurial development cooperative agreements and grants in accordance with applicable federal laws, regulations, and guidance. We found program officials established performance goals and identified performance indicators. However, in order to more effectively ensure performance goals are achieved as intended, SBA should clearly define the performance goals and set targets.

OIG Recommendations

We made two recommendations aimed at promoting enhanced performance goal-setting measures of the CARES Act entrepreneurial development cooperative agreements and grants. Specifically, we recommended that SBA enforce standard operating procedures that require clearly defined performance goals and performance targets. We also recommended that SBA collect and analyze the CARES Act entrepreneurial development cooperative agreement recipient's performance results to establish a framework for setting goals for future disasters.

Agency Response

SBA management concurred with both of our recommendations and its planned actions resolve the recommendations. SBA will improve planning for future entrepreneurial development cooperative agreements and grant awards using a more comprehensive, integrated, and strategic approach to define performance goals and targets. SBA also plans to develop and improve its data collection system to collect and analyze cooperative agreement performance results. Further, SBA plans to use program logic models to assist with establishing a framework for setting goals for future entrepreneurial development disaster technical assistance programs.



Office of Inspector General
U.S. Small Business Administration

DATE: March 30, 2021

TO: Isabella Casillas Guzman
Administrator

FROM: Hannibal "Mike" Ware 
Inspector General

SUBJECT: Evaluation of SBA's Award Procedures for the Coronavirus Aid, Relief, and Economic Security Act Entrepreneurial Development Cooperative Agreements

This report presents the results of our evaluation of the SBA's award procedures for the Coronavirus Aid, Relief, and Economic Security Act entrepreneurial development cooperative agreements. We considered management comments on the draft of this report when preparing the final report. Management agreed with both recommendations.

We appreciate the courtesies and cooperation extended to us during this evaluation. If you have any questions, please contact me or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

cc: Steve Kong, Acting Chief of Staff
Arthur Plews, Deputy Chief of Staff
Peggy Delinois Hamilton, General Counsel
Mark Madrid, Associate Administrator, Office of Entrepreneurial Development
Adriana Menchaca-Gendron, Deputy Associate Administrator, Office of Entrepreneurial Development
Tami Perriello, Chief Financial Officer, Office of Performance, Planning, and the Chief Financial Officer
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Table of Contents

Introduction.....	1
Entrepreneurial Development Programs.....	1
Resource Partner Training Platform.....	2
CARES Act Performance and Reporting Requirements.....	2
Previous Work.....	2
Objective.....	3
Finding: SBA Awarded CARES Act Entrepreneurial Development Cooperative Agreements and Grant as Required but Could Improve Performance Goals and Establish Targets.....	4
Performance Goals Should be Clearly Defined and Performance Targets Established.....	4
Recommendations.....	6
Analysis of Agency Response.....	7
Summary of Actions Necessary to Close the Recommendations.....	7
Recommendation 1.....	7
Recommendation 2.....	7
Appendix I: Objective, Scope, and Methodology.....	8
Objective.....	8
Scope and Methodology.....	8
Use of Computer-Processed Data.....	9
Appendix II: Management Comments.....	10

Introduction

The President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act¹ into law on March 27, 2020 to provide economic relief to our nation's small businesses. One of the Act's provisions provided \$265 million for the Small Business Administration's (SBA) entrepreneurial development programs to offer counseling, training, and related assistance to small business owners and entrepreneurs affected by the Coronavirus Disease 2019 (COVID-19) pandemic.

Of the \$265 million, \$240 million were made available for Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs) for educating, training, and advising small businesses on:

- accessing and applying for capital and business resiliency resources;
- the hazards and prevention of spreading COVID-19;
- understanding and preparing for the potential effects of COVID-19 on the supply chains, distribution, and sale of products;
- the use of telework and remote customer service;
- the risk of and mitigation of cyber threats;
- the mitigation of the effects of reduced travel or moving business activities outside during COVID-19;
- other relevant business practices necessary to reduce the economic effects of COVID-19.

The Act made the remaining \$25 million available for SBA to establish a single centralized, online hub for information related to COVID-19. The Act mandated SBA to award a grant to consolidate information on federal resources available to small businesses related to COVID-19 and implement a training program to educate resource partner counselors on the available resources and information.

Entrepreneurial Development Programs

The SBA Office of Entrepreneurial Development (OED) oversees a network of programs and services that support the training and counseling needs of small businesses. The CARES Act limited the awarding of grants to the SBA's networks of SBDCs and WBCs.

SBDCs – The Office of Small Business Development Centers (OSBDC) oversees a network of 62 lead centers and over 900 service centers that provide training and technical assistance to help small business owners succeed and help aspiring entrepreneurs achieve the American dream of business ownership. Each center has a director, staff members, volunteers, and part-time personnel. SBDCs also use paid consultants and other professionals from the private sector to help clients who need specialized expertise. As of May 2020, OSBDC awarded all 62 SBDCs CARES Act cooperative agreements, totaling \$191.6 million.

WBCs – The Office of Women's Business Ownership (OWBO) oversees 116 WBCs. The WBCs promote the growth of women-owned businesses through programs that address

¹ Public Law 116-136, CARES Act, Sec. 1103 and 1107 (March 2020).

business training and technical assistance. They provide guidance and training on accessing capital and competing for federal contracts. As of May 2020, of the 116 WBCs, OWBO awarded 113 WBCs CARES Act cooperative agreements, totaling \$44.7 million.

Resource Partner Training Platform

OED awarded one grant totaling \$18.6 million to America's SBDC which teamed up with the Association of WBCs for the creation of a single centralized online platform hub for COVID-19 information to implement program requirements that SBA called the Resource Partners Training Portal (RPTP). The SBA collaborates with America's SBDC and the Association of WBCs for many of its entrepreneurial development initiatives. America's SBDCs and the Association of WBCs support the nationwide networks of SBDCs and WBCs, respectively. These nonprofit organizations that promote, inform, support, continuously improve, and represent the interest of their members.

CARES Act Performance and Reporting Requirements

Section 1103, Entrepreneurial Development (b) (4) of the CARES Act requires that the agency and the award recipients jointly develop, negotiate, and agree on goals and metrics for the cooperative agreements and grants.

Further, Section 1103(d) of the CARES Act requires SBA report program performance results to Congress six months following the enactment date of March 27, 2020, and annually thereafter.

Previous Work

SBA OIG Report 20-13, *Risk Awareness and Lessons Learned from Prior Audits of Entrepreneurial Development Programs (April 23, 2020)*. Earlier this year, we informed the SBA of lessons and risks found in audits and other reviews that it should consider as it administers federal funds related to the COVID-19 pandemic. We provided key points for the SBA to consider in ensuring the integrity of SBA entrepreneurial development programs and to mitigate fraud. We suggested the SBA should establish clear oversight requirements in the notices of awards, ensuring program officials and grant recipients implement increased internal controls. We also recommended that it establish outcome-oriented performance measures specific to entrepreneurial development COVID-19 priorities. We also suggested that the agency establish methodology to ensure funds are appropriately allocated to the resource partners.

SBA OIG Report 19-02, *Consolidated Findings of Office of Inspector General Reports on SBA's Grant Programs, Fiscal Years 2014–2018 (Nov. 8, 2018)*. We identified systemic issues with the SBA's financial and performance oversight of multiple grant programs—specifically, the SBA's ineffectual process of monitoring how grant recipients spent federal funds and assess performance of its grant programs. We found that the SBA's decentralized grants management function hindered agency-wide improvements to the grant management process. As a result, SBA grant programs were at risk of funds not being used for the intended purpose and not achieving program goals and objectives. The audit report included four recommendations, which the SBA implemented.

Objective

The objective was to determine whether the SBA awarded the CARES Act entrepreneurial development cooperative agreements and grants in accordance with applicable federal laws, regulations, and other guidance.

Finding: SBA Awarded CARES Act Entrepreneurial Development Cooperative Agreements and Grant as Required but Could Improve Performance Goals and Establish Targets

Program officials awarded the six CARES Act entrepreneurial development cooperative agreements and one grant that we reviewed in accordance with the applicable federal laws, regulations, and guidance. The awarded cooperative agreements and grant provided funds to the intended recipients in support of small businesses affected by the Coronavirus pandemic.

Although we found program officials established performance goals and identified performance indicators, the performance goals were broad and inconsistent with federal requirements for establishing performance goals. Further, program officials did not set targets for the performance indicators. These requirements are essential for program officials to accurately assess and interpret results.

Program officials told us that SBA's strategy for awarding the CARES Act entrepreneurial development cooperative agreements and grants was to ensure that applications were complete, budgets were reasonable, and activities engaged were allowable under the law. Program officials explained that the performance requirements for goals and measures were negotiated with the recipients as required by the CARES Act. Though they established performance goals and indicators, program officials told us that they focused on awarding the cooperative agreements and grants expeditiously to ensure the resource partners were able to provide immediate assistance to small businesses rather than establishing performance targets. Without clearly defined performance goals and establishing performance targets, SBA cannot effectively measure and accurately report performance results.

Performance Goals Should be Clearly Defined and Performance Targets Established

Federal government goal setting standards recommend that performance goals be clearly stated and defined with a consistent calculation methodology. Further, the U.S. Office of Management and Budget (OMB) issued guidance to federal agencies provided supplemental funding in response to the pandemic. OMB requires agencies manage and align funding and award programs with their mission performance objectives and plans and review the progress as part of their performance consistent with OMB Circular A-11 and A-123 compliance requirements.² Circular A-11 states agency leaders at all levels are accountable for choosing goals and indicators wisely and for setting ambitious yet realistic targets. Program officials should set goals and establish indicators that reflect a careful analysis of the problems and opportunities to their agency's mission.³

² OMB Memorandum M-20-21, Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19) (April 2020).

³ OMB Circular A-11, Preparation, Submission, and Execution of the Budget, Part 6 (June 2019).

SBA did not clearly define the performance goals for the six cooperative agreements and the one RPTP grant we reviewed (goals and indicators are detailed in Table 1 below). For example, SBDC program officials set “Capital Assistance” as a performance goal and the “Number of Clients that received information, counseling and training on Economic Injury Disaster Loans, Paycheck Protection Program and all SBA disaster loans programs” as the performance indicators.

Table 1. Examples of Performance Goals and Performance Indicators for the SBDC and WBC Cooperative Agreements and the RPTP Grant

Programs	Performance Goals	Performance Indicators
SBDC	<ol style="list-style-type: none"> 1. Capital assistance (long-term goal: capital infusion) 2. Small businesses and individuals served (long-term goal: unique clients served) 3. Consulting hours (long-term goal: jobs supported) 	<ol style="list-style-type: none"> 1. The number of clients who received information, counseling, and training on SBA funding 2. The number of clients served 3. The number of hours or jobs supported
WBC	<ol style="list-style-type: none"> 1. Unique clients served 2. Capital infusion 3. Jobs supported 	<ol style="list-style-type: none"> 1. Number of unique clients served 2. Number of transactions processed to include loans or other forms of funding 3. Number of jobs retained, saved, and created
RPTP	<ol style="list-style-type: none"> 1. Develop and evolve online platform for covered businesses concerns 2. Develop and evolve training program for program counselors 3. Number of counselors trained 	<ol style="list-style-type: none"> 1. Number of visitors, number of page views, average time on site 2. Number of individual registrations, active and inactive users 3. Number of learning modules started, in progress, and completed

Source: OIG generated based on funding opportunity announcements for SBDCs and WBCs cooperative agreements and the RPTP grant performance metrics plan.

Further, although program officials identified performance indicators for all of the CARES Act entrepreneurial development cooperative agreements in the SBDC and WBC funding opportunity announcements and in the performance metrics plan for the RPTP grant, they did not establish performance targets for the goals and indicators.

Program officials told us that they did not require performance targets because they were focused on providing immediate relief to small businesses affected by the COVID-19 pandemic. Further, program officials explained that they did not establish performance targets because they did not have enough historical data for comparison. We disagree and contend that SBA and its resource partners have prior experience responding to disasters.

In fact, we found that one of the SBDC’s workplans included quantifiable performance targets. SBDC program officials cited “Jobs Supported” as a performance goal, “Number of

Jobs Retained and Created” as the performance indicator, and “25,000 Jobs Retained and Created” as the performance target. Federal goal setting standards recommend that performance goals have an associated target that is expressed in a numerical value.⁴ SBA should establish policies and procedures that require entrepreneurial development program officials to include performance targets in cooperative agreements and grants so CARES Act program achievement can be properly assessed.

Recommendations

We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to:

1. Enforce standard operating procedures requiring clearly defined performance goals and include performance targets in all future SBDC and WBC cooperative agreements and grants to objectively measure performance results.
2. Collect and analyze the CARES Act entrepreneurial development cooperative agreement recipient’s performance results and establish a framework for setting goals for technical assistance programs in response to future disasters. Retain the analysis in program files for future guidance.

⁴ U.S. Government Accountability Office-14-704G, Standard for Internal Control in the Federal Government (September 2014).

Analysis of Agency Response

SBA management provided formal comments to the draft report (see Appendix II). SBA management agreed with recommendations 1 and 2. Subsequent to receiving management's written comments, we met with OED officials to clarify their proposed corrective actions and implementation timelines. Based on our discussion, we determined that management's proposed corrective actions resolved both recommendations.

Summary of Actions Necessary to Close the Recommendations

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

Recommendation 1

Resolved. SBA management concurred with this recommendation and plans to define performance goals and establish targets through the creation of more comprehensive, integrated, and strategic approach that aligns OED program goals with the agency mission. Management plans to complete final action on this recommendation by July 30, 2021. This recommendation can be closed when management provides evidence that they implemented clearly defined performance goals and included performance targets in future entrepreneurial development cooperative agreements and grants to objectively measure performance results.

Recommendation 2

Resolved. SBA management concurred with this recommendation and plans to develop a data collection system to collect and analyze future cooperative agreement performance results establishing framework for setting defined performance goals. SBA management plans to use OED program logic models to help with establishing realistic and measurable program goals and targets. Management plans to complete final action on this recommendation by October 15, 2021. This recommendation can be closed when management provides evidence that they implemented processes that ensures program officials collects and retains current, accurate and complete program data and analyze the performance results to establish a framework for setting goals for future OED technical assistance programs.

Appendix I: Objective, Scope, and Methodology

Objective

Our objective was to determine whether SBA awarded the CARES Act entrepreneurial development cooperative agreements and grants in accordance with applicable federal laws, regulations, and other guidance.

Scope and Methodology

Our scope covered all CARES Act entrepreneurial development cooperative agreements and grants with an authorized total amount of \$265 million. Of that amount, SBA awarded about \$255 million in 176 cooperative agreements and a grant to SBDCs, WBCs, and America's SBDC from April to May 2020.

To determine whether SBA complied with the CARES Act, we selected six CARES Act cooperative agreements and one grant to review. Table 2 details these agreements totaling \$41.6 million. For the SBDCs, we selected the two highest dollar cooperative agreement awards. We selected four WBCs cooperative agreements awarded and the one grant awarded to America's SBDC.

Table 2. Selected CARES Act Entrepreneurial Development Cooperative Agreements and Grant

Recipient Name	Cooperative Agreement and Grant Number	Total Award Amount
University of West Florida	SBAHQ-20-C-0022	\$10,708,984
Research Foundation for the State University of New York	SBAHQ-20-C-0023	\$11,037,517
Women's Business Development Council	SBAHQ-20-C-0093	\$420,000
Latin American Economic Development Association	SBAHQ-20-C-0175	\$27,667
Mercy Corps	SBAHQ-20-C-0003	\$415,539
Cornerstone Alliance & Chamber of Commerce Services	SBAHQ-20-C-0147	\$409,540
America's SBDC	SBAHQ-20-C-0118	\$18,583,543
Total Award Amount	--	\$41,602,790

Source: OIG generated based on notice of awards.

To achieve our objective, we reviewed the requirements in the CARES Act, funding opportunity announcements for the SBDCs, WBCs, and America's SBDC, applicable SBA policy directives, and OMB memorandums.

For each cooperative agreement and grant award selected, we reviewed the special terms and conditions; SBA Form 1222, Notice of Award; SBA Form 1223, Approval List; SBA Form 424, Application for Federal Assistance; SBA Form 424A, Budget Information; SF-270, Request for Advance or Reimbursement; Work Plan Narrative; Budget Narrative; Annual Budget Summary Worksheets (Cost Price Analysis Workbook) and all other required documentation.

We reviewed award documentation to determine whether SBA officials included all applicable CARES Act provisions, Public Law 116-136, Sections 1103 (b-c) and 1107, in the funding opportunity announcements, terms and conditions, or any relevant award documentation. We examined award documentation to determine whether SBA met the requirements of federal regulations and other guidance. We determined whether SBA officials evaluated the CARES Act proposals from the SBDCs, WBCs, and America's SBDC in accordance with SBA award policies and procedures.

In addition, we interviewed SBA personnel from OSBDC, OWBO, OED, and the Office of Grants Management that administered the CARES Act entrepreneurial development cooperative agreement and grant awards. We also used the laws, regulations, and SBA policies in accordance with the CARES Act as a basis for our evaluation.

We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*. These standards require that we adequately plan and perform the evaluation to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our evaluation objective.

Use of Computer-Processed Data

We relied on computer-processed data in the program office files. Specifically, we retrieved SBA's list of all cooperative agreements and grants awarded pursuant to the CARES Act. We tested the reliability of the data in the program office files by comparing award information to publicly available federal award information at [USAspending.gov](https://www.usaspending.gov). We believe the computer-processed information is reliable for the purposes of this evaluation.

SBA RESPONSE TO EVALUATION REPORT



DATE: March 5, 2021

TO: Hannibal “Mike” Ware
Inspector General

FROM: Adriana Menchaca-Gendron *FAMGendron*
Deputy Associate Administrator
Office of Entrepreneurial Development

SUBJECT: Evaluation of SBA’s Award Procedures for the Coronavirus Aid, Relief and Economic Security Act Entrepreneurial Development Cooperative Agreements

Thank you for the opportunity to respond to the draft report entitled, “Evaluation of SBA’s Award Procedures for the Coronavirus Aid, Relief and Economic Security Act Entrepreneurial Development Cooperative Agreements (Project No. 20015)”. The objective of this audit was to determine whether SBA awarded the CARES Act entrepreneurial development cooperative agreements and grants in accordance with applicable federal laws, regulations, and other guidance.

The Office of Entrepreneurial Development (OED) appreciates the role that the Office of the Inspector General plays in working with the Agency’s management in ensuring our programs are effectively administered. We also appreciate the courtesies and cooperation extended to us during this audit and the collaborative way our teams worked together to complete this work.

One of OED’s priorities is to ensure our entrepreneurial development programs continue to be effective, efficient, and accountable to our stakeholders, including taxpayers. In accordance with Section 1103, Entrepreneurial Development (b)(4) of the CARES Act, OED worked very closely with the leadership of the America’s SBDC and the Association of Women’s Business Owners to develop the funding opportunity announcement and the terms and conditions of the grant as well as establish the grant’s performance goals and metrics. OED also served on the integrated agency-wide team established to coordinate SBA’s internal oversight of the new CARES Act programs and funds.

We will continue to strengthen the Agency’s oversight and administration of the entrepreneurial programs. The OED management team is committed to ensuring the Agency’s entrepreneurial development programs serve the Nation’s small businesses to the maximum potential, and especially small businesses impacted by the COVID-19 pandemic. We will work expeditiously to ensure the recommendations below are resolved.

Recommendation 1: Enforce standard operating procedures requiring clearly defined performance goals and include performance targets in all future SBDC and WBC cooperative agreements and grants to objectively measure performance results.

Explanation of Proposed Action: OED agrees with this recommendation. To the maximum extent permitted by law, OED will improve planning that includes a more comprehensive, integrated, and strategic approach to defining performance goals and targets that support the SBA's mission as well as align with the Agency's goals and subsequently with OED's Program goals. While OED resource partners have annual performance goals, we acknowledge that the unique nature of the COVID-19 nationwide pandemic demanded the immediate provision of information and services without a comparable methodology.

Status: Ongoing

Recommendation 2: Collect and analyze the CARES Act entrepreneurial development cooperative agreement recipient's performance results and establish a framework for setting goals for technical assistance programs in response to future disasters. Retain the analysis in program files for future guidance.

Explanation of Proposed Action: OED agrees with this recommendation. To the maximum extent permitted by law, OED will continue to develop and improve its data collection system to collect and analyze cooperative agreement performance results. OED will also utilize program logic models to assist with establishing a framework for setting goals. OED will maintain a shared folder to store files for future guidance.

Status: Ongoing.