

U.S. SMALL BUSINESS ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

# **SBA's Controls Over Cash Contributions and Gifts, Fiscal Year 2023**



**Evaluation Report**

**Report 24-05**

**February 20, 2024**



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### **NOTICE:**

Pursuant to the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Public Law 117-263, Section 5274, any nongovernmental organizations and business entities identified in this report have the opportunity to submit a written response for the purpose of clarifying or providing additional context as it relates to any specific reference contained herein. Comments must be submitted to [AIGA@sba.gov](mailto:AIGA@sba.gov) within 30 days of the final report issuance date. We request that any comments be no longer than two pages, Section 508 compliant, and free from any proprietary or otherwise sensitive information. The comments may be appended to this report and posted on our public website.



# U.S. Small Business Administration Office of Inspector General

## EXECUTIVE SUMMARY

### SBA's Controls Over Cash Contributions and Gifts, Fiscal Year 2023 (Report 24-05)

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#### What OIG Reviewed

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

SBA's authority to receive and use cash contributions and gifts is in Section 132(a) of Division K in Public Law 108-447. The 2023 Consolidated Appropriations Act grants SBA the ability to accept gifts of up to \$4 million. Before SBA can accept a gift, its Office of General Counsel must determine there is no existing conflict of interest. In addition, SBA must put any cash gifts into a separate account. The Office of Inspector General (OIG) is responsible for semiannual audits to ensure the agency is appropriately using and accounting for such gifts.

#### What OIG Found

The only activity for this review period relates to cash contributions for National Small Business Week 2023. SBA complied with the Consolidated Appropriations Act and SBA regulations and policies regarding soliciting and accepting cash contributions from six new entities that cosponsored the 2023 event. SBA's Office of Communications and Public Liaison obtained

proper approval from the Office of General Counsel for the National Small Business Week cosponsored activity. However, we noted SBA did not ensure the timely and accurate closeout of the 2023 event in accordance with standard operating procedures. This occurred despite management agreeing to implement controls in response to our findings in past reviews.

#### What OIG Recommended

We made one recommendation for SBA to fully implement a 90-day closeout process for National Small Business Week as outlined in Standard Operating Procedure 90 75 5, as amended, and resolve the identified closeout discrepancy.

#### Agency Response

SBA management agreed with the recommendation, stating the Office of Strategic Alliances plans to closeout National Small Business Week 2024 no later than August 1, 2024. Management also stated they will ensure the implementation of the 90-day closeout process as outlined in SOP 90 75 5. Further, management stated they have updated Form 2299 to document the monetary difference reported by the Office of Strategic Alliances and the amount reported by the fiscal agent.



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

**MEMORANDUM**

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Date: February 20, 2024

To: Isabella Casillas Guzman  
Administrator

From: Hannibal "Mike" Ware  
Inspector General

A handwritten signature in black ink, appearing to read "H. Ware".

Subject: SBA's Controls Over Cash Contributions and Gifts, Fiscal Year 2023

This report presents the results of our evaluation of cash contributions and gifts to the Small Business Administration (SBA). We considered management's comments on the draft of this report when preparing the final report. Management agreed with the recommendation and its actions resolve the recommendation. We have included management's comments on this report in Appendix II. Based on management's comments, we consider the recommendations to be resolved pending final actions.

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: Dilawar Syed, Deputy Administrator, Office of the Administrator  
Arthur Plews, Chief of Staff, Office of the Administrator  
Isabelle James, Deputy Chief of Staff, Office of the Administrator  
George Holman, Associate Administrator, Office of Congressional and Legislative Affairs  
Han Nguyen, Associate Administrator, Office of Communications & Public Liaison  
Terrence Sutherland, Deputy Associate Administrator, Office of Communications and Public Liaison  
Jill L. Devriendt, Director, Office of Strategic Alliances  
Katherine Aaby, Chief Financial Officer, Office of Performance, Planning, and the Chief Financial Officer  
Therese Meers, General Counsel, Office of General Counsel  
Deborah Chen, Deputy Chief Financial Officer, Office of Performance Planning, and the Chief Financial Officer  
Michael A. Simmons, Attorney Advisor, Office of General Counsel  
Anna Maria Calcagno, Director of Program Performance, Analysis, and Evaluation, Office of Performance, Planning, and the Chief Financial Officer  
Tonia Butler, Director, Office of Internal Controls

Walter B. Hill Jr., Chief Risk Officer, Office of Performance, Planning, and the Chief Financial Officer

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# Introduction

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The 2023 Consolidated Appropriations Act extends to the U.S. Small Business Administration (SBA) Administrator the ability to accept donations of cash and services to the agency.<sup>1</sup> SBA occasionally receives gifts or offers to cosponsor activities for small businesses. Cosponsors may contribute products and services instead of cash to support an activity.

By law, all gifts donated to SBA must be deposited into the U.S. Treasury as “trust funds.” To comply with this requirement, SBA established the Business Assistance Trust Fund as a revolving trust fund into which this money must be deposited. The law also requires SBA’s Office of Inspector General (OIG) to audit the agency’s cash donations and gifts semiannually.

## Background

Standard Operating Procedure (SOP) 90 75 5, Outreach Activities and Agreements, details SBA’s policy on cosponsorships, strategic alliance memorandums, SBA-sponsored activities, and participation in third-party activities. The Office of Strategic Alliances Director has a general duty to monitor all cosponsored activities and address problems and concerns of which the Director is made aware. The Office of Strategic Alliances is responsible for maintaining the official cosponsorship files.

Under the SOP, the originating office prepares and submits SBA Form 1615, Cosponsorship Approval Request, and a cosponsorship agreement to the Office of Strategic Alliances. Once SBA personnel have completed vetting potential cosponsors, the Office of Strategic Alliances forwards the results, cosponsorship agreement, and SBA Form 1615 to the Office of General Counsel for approval.<sup>2</sup> The SBA Office of General Counsel analyzes the results to determine whether a conflict of interest exists.

Cosponsors may contribute cash to support the cosponsored activity by writing a check or wiring funds to the fiscal agent. The fiscal agent is the party responsible for collecting, managing, and spending each cosponsor’s cash contribution. Excess funds are the contributed cash or collected fees that are left over after expenses are subtracted from the revenues. The cosponsors agree that the fiscal agent may retain up to \$125,000 of the excess amount in National Small Business

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<sup>1</sup> Consolidated Appropriations Act of 2023. Pub. L. No. 117-328 (December 29, 2022).

<sup>2</sup> Vetting is the process of gathering information about a potential cosponsor or donor to identify a prohibited source and/or allow the general counsel or designee to make a conflict-of-interest determination when appropriate.

Week account to use for future business week events. At the conclusion of any cosponsored activity, the responsible program official must complete a Cosponsorship Final Report Form (Form 2299). This form must be completed and sent to the Office of Strategic Alliances within 90 days after the conclusion of the cosponsored activity. Form 2299 should be accompanied by a detailed final budget that includes an accounting of all expenses, income, and in-kind contributions.

## Objective

Our objective was to assess the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts from March to August 2023. We did not test holding or use because the agency did not have any cash gifts activity during this review period.

## Results

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Our review found that SBA adequately complied with laws and SBA regulations and policies when soliciting and accepting cash contributions for six additional entities that cosponsored National Small Business Week 2023. However, SBA did not ensure the timely closeout of business week 2023 per SOPs, and we noted a discrepancy in the excess funds reported. This occurred despite management agreeing to implement controls in response to our findings in past reviews: *Controls Over Cash Contributions and Gifts, Fiscal Years 2021 and 2020* (Report 22-03, October 28, 2021).

### **Finding 1: SBA Complied with Soliciting and Accepting Cash Contributions**

SBA complied with laws and SBA regulations and policies when soliciting and accepting cash contributions from six entities that cosponsored National Small Business Week 2023. During this period of review, the Office of Strategic Alliances vetted, and general counsel determined, that six cosponsoring entities did not have a conflict of interest with SBA. To defray costs for business week, the six entities donated \$180,000 to SBA. The agency also accepted \$420,000 from nine additional entities who cosponsored this activity. We reported on the nine entities in *SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2023 and 2022* (Report 23-06, April 27, 2023).



The events for National Small Business week 2023 were held from April 30 to May 6, 2023, in Washington, D.C.; St. Louis, Missouri; Minneapolis, Minnesota; Phoenix, Arizona; and Albuquerque, New Mexico. The results of business week 2023 are summarized in table 1. Total expenses for business week 2023 are summarized in table 2.

**Table 1: Fiscal Agent’s Summary of Results for National Small Business Week 2023**

Total Cash Contributions	Net Expenses	Excess Funds
\$600,000.06	\$592,900.87	\$7,099.19

Source: Fiscal agent general ledger

**Table 2: Fiscal Agent’s Summary of All Expenses for Business Week 2023 by Category**

Expenses Category	Amount
Trophies and awards	\$7,000.23
Catering for events	\$14,330.08
Conference rentals and payables	\$408,644.53
Meals and entertainment	\$850.00
Office supplies and software	\$10,707.03
Videographer services	\$53,369.00
Event hosting	\$98,000.00
<b>Total</b>	<b>\$592,900.87</b>

Source: Fiscal agent general ledger

Of the excess \$7,099.19 that remained after expenses were paid for business week 2023, \$63.90 was held in the bank account to maintain a \$125,000 balance in accordance with the cosponsorship agreement and SOP. Therefore, the excess funds contributed to the agency from the 2023 cosponsors is estimated to be \$7,035.29.

## **Finding 2: SBA Needs to Improve its Closeout Process for National Small Business Week**

For 2023, closeout of National Small Business Week was not performed in a timely manner in accordance with SOPs, and the final closeout document that is required for all cosponsored activities was not complete or reliable. OIG has reported previously on the need for better controls over cosponsored activities.

Under SOP 90 75 5, within 90 days of the last day of the cosponsored activity, the fiscal agent must provide SBA with a full accounting of the cash received and expenses paid. Since business week 2023 ended on May 6, 2023, we determined that closeout documents should have been provided to SBA before August 4, 2023, which did not happen. We found the fiscal agent's final accounting report was dated August 23, 2023. The Office of Strategic Alliances initiated the closeout process after we requested the documentation on August 10, 2023. Consequently, we determined the Office of Strategic Alliances had not fully implemented the system in 2021 to ensure that business week 2023 would be closed out in a timely manner. In addition, an official in the Office of Strategic Alliances told us they determine the 90-day closeout date using business days. However, the SOP states "within 90 days of the conclusion of the cosponsored activity," which is based on calendar days.

Under SOP 90 75 5, the responsible program official is 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 on the results of the activity. The closeout summary information on Form 2299 was not accurate or reliable. SOP 90 75 5 states that excess funds are the contributed cash or collected fees that are left over after expenses are subtracted from revenues. On Form 2299, the Office of Strategic Alliances reported \$600,000 cash contributions to the fiscal agent by cosponsors and \$603,149.32 cash expenses by fiscal agent with \$3,149.32 in excess funds.

The \$3,149.32 of cash contributions less cash expenses reported on Form 2299 did not equal the \$7,099.19 in excess funds reported by the fiscal agent (see table 1). We also noted that Form 2299 did not include a notation regarding the difference between the \$603,149.32 reported by the Office of Strategic Alliances and \$592,900.87 in expenses reported by the fiscal agent (see table 1). According to the Office of Strategic Alliances, expenses on Form 2299 are based on accrual accounting, and the fiscal agent's reported expenses are based on a cash basis of accounting.

## Conclusion

The agency complied with the solicitation and acceptance controls for business week. However, the responsible program official and the fiscal agent did not ensure the timely and accurate closeout of cosponsorship activities.

## Recommendation

To ensure timely and accurate closeout of National Small Business Week, we recommend the Administrator direct the Associate Administrator for the Office of Communications and Public Liaison work with the Director of Strategic Alliances to:

**Recommendation 1:** Fully implement the 90-day closeout process for National Small Business Week as outlined in SOP 90 75 5, as amended, and resolve the identified closeout discrepancy between the fiscal agent and the Office of Strategic Affairs for business week 2023.

## Evaluation of Agency Response

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SBA management agreed with the recommendation. Management provided formal comments that are included in Appendix 2 to this report. To address this issue, the Office of Strategic Alliances plans to closeout National Small Business Week 2024 no later than August 1, 2024. It will ensure the implementation of the 90-day closeout process as outlined in SOP 90 75 5; this date is the final action target date.

SBA plans to resolve the closeout discrepancy between the fiscal agent and the Office of Strategic Alliances. SBA updated Form 2299 to document the monetary difference reported by the Office of Strategic Alliances and the amount reported by the fiscal agent. SBA reported the monetary difference included pending deposits from business week 2023 vendors for overpayment and was based on accrual accounting versus the fiscal agent's cash basis accounting.

We consider the recommendation in this report to be resolved pending final actions.

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

The following section summarizes the status of the recommendation and the actions necessary to close it.

### **Recommendation 1**

Fully implement the 90-day closeout process for National Small Business Week as outlined in SOP 90 75 5, as amended, and resolve the identified closeout discrepancy between the fiscal agent and the Office of Strategic Affairs for business week 2023.

**Status:** Resolved

This recommendation will be closed when management provides evidence it has implemented the 90-day closeout process for National Small Business Week as outlined in SOP 90 75 5 and resolved previously identified closeout discrepancies.

# Appendix 1: Scope and Methodology

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This report presents the results of our review of the U.S. Small Business Administration's (SBA) controls over cash contributions and gifts, fiscal year 2023. Our objective was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and use of cash contributions and gifts. We did not test holding and use because the agency did not have any gift activity during this review period. The period of this review covered March to August 2023.

To meet our objective, we tested the applicable transactions related to solicitation and acceptance of cash contributions for National Small Business Week 2023 cosponsored activity to assess the effectiveness of SBA controls. We verified the SBA Offices of Strategic Alliances and General Counsel cooperated to approve the solicitation and acceptance of cash contributions from cosponsoring entities participating in business week activities.

We conducted this evaluation between July and September 2023 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. These standards require that we plan and perform an evaluation to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objective.

## Use of Computer-processed Data

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

## Assessment of Internal Controls

Management is responsible for establishing and maintaining internal controls to achieve specific objectives for operations, reporting, and compliance. SBA issued SOP 90 75 5 to address internal controls regarding the solicitation and acceptance of cash contributions. We used established criteria in the SOP for our testing.

Office of Management and Budget (OMB) Memorandum M-16-17, Management's Responsibility for Enterprise Risk Management and Internal Control (July 15, 2016), 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.

## Prior Audit Coverage

The following lists the Office of Inspector General's previous audit coverage related to the objective of this report:

Report Number	Report Title	Report Date
<a href="#">OIG Report 23-04</a>	<i>SBA's Controls Over Cash Contributions and Gifts, Fiscal Year 2022</i>	December 19, 2022
<a href="#">OIG Report 22-14</a>	<i>SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2022 and 2021</i>	June 15, 2022
<a href="#">OIG Report 21-10</a>	<i>SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2019-20</i>	March 25, 2021
<a href="#">OIG Report 20-06</a>	<i>SBA's FY 2019 Cash Contributions and Gifts</i>	February 11, 2020

## **Appendix 2: Agency Response**

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U.S Small Business Administration  
Response to Report



**Date:** January 29, 2024

**To:** Hannibal “Mike” Ware, Inspector General

**From:** Han Nguyen, Associate Administrator

Office of Communications and Public Liaison

A handwritten signature in black ink, appearing to read 'H. Nguyen', with a long horizontal flourish extending to the right.

**Subject:** Response to OIG Draft Report SBA’s Controls Over Cash Contributions and Gifts, Fiscal Year 2023 (Project 23005A).

Thank you for providing the Office of Communications and Public Liaison (OCPL) the opportunity to respond to OIG’s Draft Report titled, SBA’s Controls Over Cash Contributions and Gifts, Fiscal Year 2023 (Project 23005A).

**OIG Recommendation 1:** Fully implement the 90-day closeout process for National Small Business Week as outlined in SOP 90 75 5, as amended, and resolve the identified closeout discrepancy between the fiscal agent and the Office of Strategic Alliances for National Small Business Week 2023.

**SBA Response:** SBA concurs with this recommendation. To address this issue, OSA has reserved the calendar date of August 1, 2024, to closeout National Small Business Week 2024 and ensure the implementation of the 90-day closeout process as outlined in SOP 90 75 5; this date is the final action target date. In resolution of the closeout discrepancy between the fiscal agent and the Office of Strategic Alliances, OSA updated Form #2299 (attached) to include a notation between the \$603,149.32 reported by OSA and the \$592,900.87 reported by the fiscal agent. In summary, the difference of \$10,248.45 includes pending deposits from NSBW 2023 vendors for overpayment and was based on accrual accounting versus the fiscal agents’ cash basis accounting.

**Attachment(s) and Link(s):**

[NSBW 2023 Budget Summary Office of Strategic Alliances](#)

[Form #2299 updated](#)