

INDEPENDENT REVIEW OF THE SBA'S ACCOUNTING OF FY 2010 DRUG
CONTROL FUNDS AND PERFORMANCE SUMMARY REPORT

Report Number: 11-13
Date Issued: April 18, 2011



U.S. Small Business Administration
Office of Inspector General

Memorandum

To: Antonio Doss
Director, Office of Small Business Development
Centers

Date: April 18, 2011

/s/ Original Signed
From: Peter McClintock
Deputy Inspector General

Subject: Independent Review of the SBA's *Accounting of FY 2010 Drug Control Funds and Performance Summary Report*
Report No. 11-13

This report presents the results of our review of the Small Business Administration's (SBA) *Accounting of Drug Control Funds and Performance Summary Report* for the year ended September 30, 2010. As directed by the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*,¹ agencies are required annually to provide a detailed accounting of all funds expended on National Drug Control Program activities and the results associated with those activities. However, when drug-related obligations are less than \$50 million and a detailed accounting would constitute an unreasonable burden, ONDCP permits agencies to submit an alternative report, as long as it is accompanied by Agency and Office of Inspector General statements that full compliance with the circular would constitute an unreasonable burden.

As the SBA's Fiscal Year (FY) 2010 drug-related obligations were less than \$50 million, an alternative report for FY 2010 was submitted. We (1) assessed whether providing a detailed accounting of funds expended on National Drug Control Program activities would constitute an unreasonable burden, and (2) reviewed SBA's report and related management assertions to determine the reliability of management assertions made in the SBA's *Accounting of FY 2010 Drug Control Funds and Performance Summary Report*.

We reviewed the SBA's FY 2010 accounting entries for the Drug-Free Workplace Program made by the Office of the Chief Financial Officer, and grantee self-reported performance data used to support the SBA's *Accounting of FY 2010 Drug Control Funds and Performance Summary Report*. We wish to note that the FY 2010 performance data reported by the SBA is based on information submitted by grantees that was not verified by the SBA to determine whether it was accurate, complete and unbiased. The SBA properly disclosed that it relied on the honesty and integrity of

¹ Dated May 1, 2007.

grantees to ensure that performance data was accurate, complete and unbiased in presentation and substance. We conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants, and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because a review is substantially less in scope than an examination and does not provide an adequate basis from which to express an opinion on the SBA's *Accounting of FY 2010 Drug Control Funds and Performance Summary Report*, accordingly, we do not express such an opinion.

Based on our review, we believe that full compliance with the ONDCP circular would constitute an unreasonable burden for the SBA. Also, nothing came to our attention that caused us to believe that the SBA's alternative report for the year ended September 30, 2010 is not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting*.

A copy of SBA's *Accounting of FY 2010 Drug Control Funds and Performance Summary Report* is attached. Should you or your staff have any questions, please contact Jeffrey R. Brindle, Director, Information Technology and Financial Management Group at (202) 205-7490.

Attachment



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

April 7, 2011

Mr. Jon Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
750 17th St, NW
5th Floor
Washington, DC 20503

Dear Mr. Rice:

As requested, the U.S. Small Business Administration's (SBA) is providing the following response.

Drug Methodology Fiscal Year 2010

<u>Drug Function</u>	<u>Budget Decision Unit</u>
Prevention - \$1M	Education - \$1M

If you have any questions concerning this report, please contact Rachel Karton in SBA's Office of Small Business Development Centers at 202-619-1816.

We attest that full compliance with the ONDCP Circular would create an unreasonable burden on the SBA.

[FOIA ex. 6]

Antonio Doss
Associate Administrator
Small Business Development Centers

[FOIA ex. 6]

Jon Carver
Chief Financial Officer

[FOIA ex. 6]

Peg Gustafson
Inspector General



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

April 7, 2011

Mr. Jon Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
750 17th St., NW
5th Floor
Washington, DC 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy's Drug Control Accounting Circular, the Small Business Administration submits its Accounting of FY 2010 Drug Control Funds and Performance Summary Report with the accompanying IG authentication.

If you have any additional questions or comments, please call me directly.

Sincerely yours,

[FOIA ex. 6]

~~Antonio~~ Doss
Director, Office of Small Business Development Centers

Enclosure

PERFORMANCE INFORMATION

MEASURE 1: Number of Small Businesses Educated

Table 1¹

FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Goal	FY2010 Actual
2,731	2,280	1,550	1,500	1,332

- (a) Describe the measure. This measure reflects the number of small businesses that were educated by a Drug Free Workplace Program (DFWP) grantee. A purpose of the program is to educate as many small businesses as possible to make them aware of the benefits of implementing a DRWP for their business. If a business implements a DFWP, it is believed that there will be a decrease in absenteeism, workplace accidents, tardiness, damaged or stolen property and insurance premiums. It is also believed that productivity and morale will increase. The information is collected directly from the grantees. The grantees input their data into a database created for this program.
- (b) In 2007, the program started to collect outcome information on the following metrics from businesses that had a change in:

Employee Behaviors Improved	Business Costs Decreased
Absenteeism	Insurance Premiums
Tardiness	Damaged or stolen Property costs
Workplace Accidents	Productivity
Employee Turnover	

In Fiscal Year (FY) 2007 and FY 2008, the outcome information was collected and analyzed to determine the effects that the implementation of a DFWP has on small businesses. It showed that after the implementation of a DFWP a small business saw a decrease in absenteeism, workplace accidents, employee turnover, damaged or stolen property and insurance premiums. Also, the small business saw an increase in productivity. Since this information was the first ever collected, it is possible that the results will not yield the expected outcomes long term.

In FY 2009 and FY 2010, after implementation of a DFWP, the small businesses reported no increases in insurance premiums and damaged or stolen property. Additionally, there was a decrease in the categories of employee turnover, absenteeism, insurance premiums, damaged or stolen property and workplace accidents. Further, the results show that productivity increased as we expected.

¹ While not required, ONDCP recommends agencies develop a graph to accompany information contained in the table.

- (c) The Agency determines the goals based on the number of grantees and whether previous goals were reached.
- (d) The Agency depends on the honesty and integrity of the DFWP grantees to ensure performance data for this measure are accurate, complete, and unbiased in presentation and substance.

MEASURE 2: Number of DFWPs Implemented

Table 2²

FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Goal	FY 2010 Actual
453	363	375	170	465

- (a) Describe the measure. This measure reflects the number of small businesses that implemented a whole or partial DFWP. A purpose of the program is to encourage as many small businesses as possible to implement a DFWP for their business. If a business implements a DFWP, it is believed that there will be a decrease in absenteeism, workplace accidents, tardiness, damaged or stolen property and insurance premiums. It is also believed that productivity and moral will increase. The information is collected directly from the grantees. The grantees input their data into a database created just for this program.
- (b) The actual goal of FY 2010 was underestimated because the number of small businesses implementing a DFWP varies widely from year to year due to the fact that the grantees cannot force a small business to implement such a program. The grantee can only encourage the small business by showing the benefits of the implementation.
- (c) The Agency determines the goals based on the number of grantees and whether previous goals were reached.
- (d) The Agency depends on the honesty and integrity of the DFWP grantees to ensure performance data for this measure are accurate, complete, and unbiased in presentation and substance.

² While not required, ONDCP recommends agencies develop a graph to accompany information contained in the table.

II. RESOURCE SUMMARY

FY 2010 Drug Methodology FY 2010
Final BA

Prevention and Education
DFWP Grants \$1M

Drug Resources Personnel

Total FTEs (direct only) 0

Information

Total Agency Budget* \$729.4M
Drug Percentage 0.001371%

**Does not include Office of Disaster Assistance Program or the Office of the Inspector General.*

GRANTEE NAME	DATE	PO AMOUNT
Houston Council on Alcohol and Drug	9/16/10	\$250,000.00
Figment Group, Inc.	9/21/10	\$163,006.00
Advanced Behavioral Health, Inc.	9/23/10	\$176,511.00
Arkansas Occupational Health Clinic	9/16/10	\$160,000.00
Drug Free America Foundation	9/20/10	\$250,000.00
Total		\$999,517.00

III. MANAGEMENT'S ASSERTIONS

- (1) **Performance reporting system is appropriate and applied** – The Agency has a system to capture performance information accurately and that system was properly applied to generate the performance data.
- (2) **Explanations for not meeting performance targets are reasonable** – The goal for the number of Small Businesses Educated was not reached in FY 2010. It is difficult to predict the number of small businesses that will want education on a DFWP since there is no legally binding rule requiring them to do so.
- (3) **Methodology to establish performance targets is reasonable and applied** – The methodology described above to establish performance targets for the current year is reasonable given past performance and available resources.
- (4) **Adequate performance measures exist for all significant drug control activities** - The Agency has established at least one acceptable performance

measure for each Drug Control Budget Decision Unit identified in reports required by Section 6a(1)(A) for which a significant amount of obligations (\$1,000,000 or 50 percent of the agency drug budget, whichever is less) were incurred in the previous fiscal year. Each performance measure considers the intended purpose of the National Drug Control Program activity.