



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

**ATTESTATION MEMORANDUM
REPORT NO. 12-13**

DATE: March 30, 2012

To: Jonathan I. Carver, Chief Financial Officer
Frederick Baldassaro, Assistant Administrator for Communications and Public Liaison
Sara Lipscomb, General Counsel
Michele Chang, Deputy Chief of Staff

SUBJECT: Review of the SBA's Fiscal Year 2011 Cash Gifts

This report represents the results of our review of the Small Business Administration's (SBA) controls over cash gifts. The SBA has gift authority under sections 4(g), 8(b)(1)(G), 5(b)(9) and 7(k)(2) of the Small Business Act (the Act). Employees may solicit and accept gifts on behalf of the SBA after proper approvals, including a conflict of interest determination by SBA's Office of General Counsel (OGC). All gifts must be used in a manner consistent with the Act and any terms imposed by the donor. Section 4(g)(2) of the Act provides that any gift, devise, or bequest of cash accepted by the Administrator shall be held in a separate account¹ and shall be subject to semi-annual audits by the Inspector General who shall report his or her findings to Congress.

We assessed whether the SBA was following established procedures for soliciting, accepting, holding, and utilizing² cash gifts in fiscal year 2011. To achieve our objective we obtained an understanding of laws, regulations, and SBA policies and procedures regarding its gift authority. We also interviewed selected SBA officials and examined documentation obtained from officials in the Offices of the Administrator (OA), Strategic Alliances, and the Chief Financial Officer. We further utilized computer assisted audit techniques to analyze the accounting of the SBA's travel transactions.

We examined the only two cash gifts reported for this period totaling \$10,000 that were recorded in the Business Assistance Trust Fund (BAT Fund) during April 2011. These gifts were donated by Business Forward, a nonfederal organization. The gifts were restricted to help pay the travel and per diem expenses for guest speakers and participants attending the SBA's "Start-up America: Empowering Entrepreneurs and Reducing Barriers" (Start-up America) events. We performed our fieldwork between February and March 2012 in accordance with *Government Auditing Standards*, prescribed by the Comptroller General of the United States. We provided a draft of this report to SBA's management for comment. In their comments (See Appendix I) management fully concurred with the finding. Management also fully concurred with two of the recommendations and proposed an alternative action for the third recommendation.

¹ This account is called the Business Assistance Trust Fund (BAT Fund).

² Utilization refers to the obligation and expenditure of money held in the BAT Fund.

Results

Based on our review, we determined that the SBA obtained proper approvals to solicit and accept gifts to use for the payment of travel and per diem costs for the SBA's Start-up America events in 2011. The donor, Business Forward, was properly vetted through the SBA program offices to ensure no business relationships existed that would cause a conflict of interest. The SBA's OGC confirmed that no conflict of interest existed between the SBA and Business Forward. We also determined the SBA fully complied with the Act regarding the holding and utilization of cash gifts. The SBA recorded the cash donations in the BAT Fund and timely made the funds available to the OA for expenditure. In addition, the Massachusetts District Office used its prior year BAT Funds to pay for a Jobs Act "Listening Tour" event.

FINDING

We concluded that the SBA did not fully comply with the solicitation and acceptance provisions of its cash gifts authority under the Act because staff in the OA recorded the wrong accounting code in the SBA's Administrative and Accounting System. Consequently, guest speakers' and participants' travel and per diem expenses for the Start-Up America events, totaling \$5,680.51, were reimbursed out of the SBA's salaries and expenses appropriation instead of the BAT Fund. While \$5,680.81 of the original \$10,000 gift should have been used to pay these travel expenses, we also noted that the OA did not follow-up with Business Forward regarding the disposition of the unused \$4,319.49.

In a 2004 audit³ we recommended the SBA revise Standard Operating Procedure (SOP) 90 75 2, *Cash Gifts* to clarify the portion of the SOP that addressed the SBA soliciting or accepting gifts from third parties. In 2007, the SBA reissued the SOP as 90 75 3 addressing cosponsorships, but deleted the procedures for accepting gifts. The reissued SOP 90 75 3 states that "SBA must follow the gift solicitation and acceptance procedures outlined in SOP 90 53, Gifts to the Agency." However, the SBA never issued SOP 90 53. Therefore, the SBA has not had permanent procedures on gift acceptance in place since 2007.

Recommendations

We recommend the:

1. Chief Financial Officer work with staff in the OA to ensure that a correcting journal voucher is recorded to adjust the balance of the BAT Fund by -\$5,680.51 and correct the salaries and expenses fund by \$5,680.51.
2. Deputy Chief of Staff in the OA work with the Chief Financial officer to reimburse Business Forward the \$4,319.49 that was not needed to cover travel expenses for the Start-up America events.
3. General Counsel collaborates with the Offices of Strategic Alliances and the Chief Financial Officer to issue SOP 90 53. These revisions should include policies and procedures that clearly delineate the SBA's policies and procedures for (a) soliciting and accepting cash gifts; (b) depositing cash gifts into and expending money from the BAT Fund; (c) tracking expenditures; (d) prohibitive uses of the BAT Fund, and (e) documentation retention requirements.

³ OIG Report 4-44, [Summary Audit of SBA Sponsored and Cosponsored Events](#) dated September 24, 2004

Agency Comments and Office of Inspector General Response

On March 15, 2012, we provided a draft of this report to the addressees in this report for comment. On March 29, 2012, management submitted formal comments, which are contained in their entirety in Appendix I. Management officials fully concurred with the finding. Management also fully concurred with two of the recommendations and proposed an alternative action for the third recommendation. We found management's action to be responsive to the recommendations.

Actions Required

Please provide your management decision for each recommendation on the attached SBA Forms 1824, *Recommendation Action Sheet*, within 30 days from the date of this advisory memorandum.

Your decision should identify the specific action(s) taken or planned for each recommendation and the target date(s) for completion.

We appreciate the courtesies and cooperation of the SBA's officials during this review. If you have any questions concerning this report, please call me at (202) 205-7390, or Jeff R. Brindle, Director Information Technology and Financial Management at (202) 205-7490.

/S/ original signed
John K. Needham
Assistant Inspector General for Auditing



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

To: John K. Needham
Assistant Inspector General for Auditing

From: Jonathan I. Carver
Chief Financial Officer

Frederick Baldassaro
AA for Communications and Public Liaison

Sara Lipscomb
General Counsel

Michele Chang
Deputy Chief of Staff

Date: March 29, 2012

Re: Advisory Memorandum: Review of the SBA's FY 2011 Cash Gifts, Project 12006

The Small Business Administration (SBA) appreciates your review of our Business Assistance Trust (BAT) Fund activities in FY 2011 and the opportunity to respond to the Recommendations in your Advisory Memorandum.

RECOMMENDATIONS AND RESPONSES

1. Chief Financial Officer work with staff in the OA to ensure that a correcting journal voucher is recorded to adjust the balance of the BAT Fund by -\$5680.51 and correct the Salaries and Expenses fund by \$5680.51.

We agree with your recommendation and will make this journal entry in our accounting system and provide documentation upon completion.

Anticipated Completion Date: May 1, 2012

2. Deputy Chief of Staff in the OA work with the Chief Financial Officer to reimburse the Business Forward the \$4,319.49 that was not needed to cover travel expenses for the Startup America events.

Appendix I: Agency Comments

We have written authorization from Business Forward (the donor) to maintain and utilize residual funds for our continued efforts beyond the Startup America events. At the behest of the donor, we plan to use these funds to support our continued efforts aiding small businesses. Please see the attached supporting documentation that is also contained in the gift file.

3. General Counsel collaborates with the Offices of Strategic Alliances and the Chief Financial Officer to issue SOP 90 53. These revisions should include policies and procedures that clearly delineate the SBA's policies and procedures for (a) soliciting and accepting cash gifts; (b) depositing cash gifts into and expending money from the BAT fund; (c) tracking expenditures; (d) prohibitive uses of the BAT fund, and (e) documentation retention requirements.

We concur and will collaborate to finalize procedures related to the BAT fund and issue SOP 90 53.

Anticipated Completion Date: September 15, 2012