



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

ADVISORY MEMORANDUM
REPORT NO. 12-09

DATE: March 1, 2012

TO: Ann Bradbury
Acting Associate Administrator for Small Business Development Centers

SUBJECT: Independent Review of the SBA's *Accounting of FY 2011 Drug Control Funds and Performance Summary Report*

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, 2011. 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's guidance 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.

Because the SBA's Fiscal Year (FY) 2011 drug-related obligations were less than \$50 million, the SBA submitted an alternative report for FY 2011. 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 the SBA's report and related management assertions to determine the reliability of those assertions made in the SBA's *Accounting of FY 2011 Drug Control Funds and Performance Summary Report*.

We reviewed the SBA's FY 2011 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 2011 Drug Control Funds and Performance Summary Report*. We wish to note that the FY 2011 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. While the SBA's management is responsible for the preparation of its report, related disclosures, and the assertions, the SBA properly disclosed that it relied on the honesty and integrity of 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

¹ dated May 1, 2007

on the SBA's *Accounting of FY 2011 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. Nothing came to our attention that caused us to believe that the SBA's alternative report for the year ended September 30, 2011 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 the SBA's *Accounting of FY 2011 Drug Control Funds and Performance Summary Report* is attached. We note that the SBA did not request FY 2012 funds to administer this program because it overlapped with other forms of similar assistance and the SBA has proposed the elimination of this program. Should you or your staff have any questions, please contact Jeffrey R. Brindle, Director, Information Technology and Financial Management Group at (202) 205-7490.



John K. Needham
Assistant Inspector General for Auditing

cc/enc: Jonathan I. Carver



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

February 1, 2012

Mr. Jon Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
750 17th St., NW
5th Floor
Washington, D.C. 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 2011 Drug Control Funds and Performance Summary Report with the accompanying Office of Inspector General authentication.

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

Sincerely yours,

JOS

Jean Smith
Acting Director, Office of Small Business Development Centers

Enclosure

I. DRUG METHODOLOGY

SBA is trying to increase the positive impact of SBA assistance upon the number and success of small business start-ups; maximize the sustainability and growth of existing small businesses assisted by the SBA; and significantly increase successful small business ownership within the segments of society facing special competitive opportunity gaps. SBA's Office of Small Business Development Centers awards grants to eligible intermediaries to provide financial and technical assistance to small businesses seeking to establish Drug Free Workplace Programs (DFWP). The grantees are expected to educate working parents on how keep their children drug free. A part of the program, the SBA has also awarded grants to Small Business Development Centers to provide information and assistance to small businesses with respect to establishing a DFWP.

An SBA DFWP grantee schedules events for small businesses to receive training and education regarding the DFWP. A data record is recorded when a small business signs up for the education/training whether by phone, in-person, or via computer. Data is reported quarterly to the SBA as outcomes.

The drug methodology has not changed since the inception of the program.

II. FY 2011 DRUG CONTROL OBLIGATION DATA

<u>Function</u>	FY 2011 Final BA	FY 2012 Enacted
Prevention and Education DFWP Grants	\$997,000	\$0 ¹
<u>Drug Resources By Decision Unit</u>		
Total FTEs (direct only)	0	0
<u>Information</u>		
Total Agency Budget ²	\$668,100M	\$785,204M
Drug Percentage	0%	0%

¹ SBA identified this program as an example of programs overlapping with other forms of similar assistance and proposed that it be eliminated.

² Does not include Office of Disaster Assistance Program or the Office of the Inspector General.

FY 2011 DFWP Grant Awards

GRANTEE NAME	PO DATE	PO AMOUNT
Workers Assistance Program	09/23/11	\$60,000.00
Drug Free Idaho	09/23/11	\$186,576.00
River Region Human Services	09/06/11	\$250,000.00
Premier Integrity Solutions	09/23/11	\$250,000.00
Peer Assistance Services	08/03/11	\$250,000.00
Total		\$996,576.00

III. PERFORMANCE INFORMATION

Performance Indicator 1: Number of Small Businesses Educated

FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Goal	FY 2011 Actual	FY 2012 Goal
2,280	1,550	1,332	1,500	866	1,500

This performance indicator reflects the number of small businesses that were educated by a DFWP grantee. A primary purpose of the program is to educate as many small businesses as possible to make them aware of the benefits of implementing a DFWP for their business.

Performance Indicator 2: Number of DFWPs Implemented

FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Target
363	375	465	166	414	165

This performance indicator reflects the number of small businesses that implemented a whole or partial DFWP. Another purpose of this program is to encourage as many small businesses as possible to implement a DFWP for their business.

In 2007, SBA started collecting and reporting outcome information on the following metrics from businesses that implemented a DFWP:

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

If a business implements a DFWP, it is believed that there will be a decrease in absenteeism, tardiness, workplace accidents, employee turnover, damaged or stolen property and insurance premiums. It is also believed that employee productivity and morale will increase. The

program outcomes are collected directly from businesses who implemented a DFWP. The outcomes are reported by grantees and Small Business Development Centers and input to SBA's web-based database for the DFWP.

Since 2007 small businesses who implemented a DFWP have reported decreases in absenteeism, tardiness, workplace accidents, employee turnover, damaged or stolen property, and insurance premiums. Small businesses have also reported an increase in employee productivity and morale. The SBA estimates its target goals for the DFWP based on the number of grantees and whether previous goals were reached. The SBA has no recourse to verify whether the outcome data is correct. It places great emphasis 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.

IV. MANAGEMENT'S ASSERTIONS

- (1) **Performance reporting system is appropriate and applied** – The SBA 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 2011. 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 SBA has established at least one acceptable performance goal for each Drug Control Function in accordance with Section 6a(1)(A) of ONDCP Circular: *Drug Control Accounting*.