AUDIT REPORT

AUDIT OF SBA'S OVERSIGHT OF THE SCORE ASSOCIATION

APRIL 25, 2019

REPORT NUMBER 19-12

EXECUTIVE SUMMARY

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What OIG Reviewed

The SCORE program is an entrepreneurial development program administered by the Small Business Administration's (SBA's) Office of Entrepreneurship Education (program office) within the Office of Entrepreneurial Development. The SCORE Association (SCORE) is the single cooperative agreement recipient for the program. Established in 1964 as a national, volunteer nonprofit organization, SCORE has been an SBA resource partner for more than 50 years. SCORE provides business and technical assistance to existing and emerging small business owners nationwide.

Our audit objectives were to determine whether SBA has effective oversight to ensure SCORE (1) spent federal funds in accordance with cooperative agreement requirements and (2) measured and achieved program goals.

To answer our objectives, we reviewed SCORE's FY 2017 federal award of $10.5 million and the first quarter of SCORE's $11.5 million FY 2018 award. We judgmentally selected three SCORE chapters and the National SCORE Office for review. We conducted site visits and obtained documentation from the National SCORE Office in Herndon, VA; the Washington, DC, Chapter; the New York City Chapter; and the Greater Seattle Chapter. Additionally, we interviewed personnel and obtained documentation from the program office.

What OIG Found

Program officials need to make major improvements to ensure effective oversight of the SCORE program. We found that program officials did not effectively oversee SCORE's use of federal funds. Specifically, we found that SCORE commingled federal funds with unrestricted donations and used federal funds for unallowable, unallocable, and unsupported costs. We also found that SCORE inappropriately solicited donations for mentoring services, charged for publication materials that did not include the required SBA acknowledgement statement, and improperly managed funds used for cosponsored activities.

As a result, we questioned $713,986 of costs that did not adhere to the cooperative agreement requirements or were not properly supported.

Also, program officials did not accurately measure or report SCORE's performance goal achievements. Further, program officials established only one outcome-based performance measure, which limited SBA's ability to assess whether the program achieved its intended purpose.

OIG Recommendations

We recommended SBA improve its oversight and monitoring of SCORE's use of government funds, and its reporting of performance results. We also recommended SBA recover or remedy $713,986 of unallowable and unsupported costs.

Agency Response

SBA management concurred with all 11 of the recommendations, and its planned or implemented actions resolve all the recommendations. SBA management plans to conduct annual financial examinations of SCORE, ensure SCORE trains its chapter leadership on the proper use of program income and separating unrestricted funds, and ensure that SCORE updates its standard operating manual to comply with the Whistleblower Protection Act. Management also plans to assess the cost of leased space donated to SCORE and will work with SCORE leadership to recover or remedy the unallowable and unsupported costs.

Further, management plans to implement procedures to ensure SBA reports accurate and complete performance results for the SCORE program and plans to report the corrected FY 2017 performance results in its Congressional Budget Justification and Annual Performance Report. Finally, management demonstrated that it implemented new compliance review procedures for annual reviews of SCORE chapters, prohibited SCORE from serving as a fiscal agent for SBA cosponsored activities, and worked with OMB and SCORE to establish an additional outcome-based performance measure to close 3 of the 11 recommendations.

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

Final Report Transmittal
Report Number: 19-12

DATE: April 25, 2019

TO: Christopher M. Pilkerton
Acting Administrator and General Counsel

FROM: Hannibal "Mike" Ware
Inspector General

SUBJECT: Audit of SBA's Oversight of the SCORE Association

This report presents the results of our audit of the Small Business Administration's oversight of the SCORE Association. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on the draft of this report when preparing the final report. Management agreed to address all 11 recommendations identified in the report.

We appreciate the courtesies and cooperation extended to us during this audit. If you have any questions, please contact me at (202) 205-6586 or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6616.

cc: Allen M. Gutierrez, Associate Administrator, Office of Entrepreneurial Development
Seán F. Crean, Executive Director for SBA Executive Management, Installations, and Support Services
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Introduction

The SCORE program is an entrepreneurial development program administered by the Small Business Administration (SBA). The purpose of the program is to provide high quality business and economic development assistance to existing small businesses and pre-venture entrepreneurs to support small business growth and expansion, management improvement, increased productivity, and innovation. To achieve this purpose, SBA designed the SCORE program to assist small business and pre-venture entrepreneurs access capital, develop and exchange new technologies, and improve a variety of business capabilities. The SCORE Association (SCORE) is the single cooperative agreement recipient for the program. Established in 1964 as a national, volunteer nonprofit organization, SCORE has been an SBA resource partner for more than 50 years. SCORE is a unique federal government resource that uses more than 10,000 volunteer business counselors with expertise to advise small businesses, lead business seminars, and coach entrepreneurs online. SCORE relies on federal funds from SBA's annual cooperative agreement and donations from private sources.

Organizationally, SCORE consists of the National SCORE Office (NSO) in Herndon, VA, and 300 chapters nationwide. The primary mission of the NSO is to support the business mentoring and workshop services that take place in the field and to market the SCORE program, both locally and nationally. A network of volunteers operates the SCORE chapters and offers two primary services:

- **Mentoring**—SCORE matches clients with a mentor or team of mentors who provide counseling assistance related to starting, managing, or growing a business. According to SCORE's fiscal year (FY) 2017 reports, volunteers provided more than 295,000 mentoring sessions over the course of the year. Mentoring is available at no cost to the client.

- **Training**—SCORE volunteers hold thousands of educational workshops and seminars every year on topics related to starting and managing a business. SCORE typically charges a fee to attend these training workshops and seminars.

SCORE annually reports that its volunteers donate more than 1.1 million hours of service. While SCORE does not compensate its volunteers for their time, it does reimburse volunteers for allowable, allocable, and reasonable out-of-pocket expenses.

SBA's Office of Entrepreneurship Education (program office) within the Office of Entrepreneurial Development oversees the SCORE program. The program office works with the Office of Grants Management to award the cooperative agreement and monitor SCORE's adherence to the terms and conditions of the agreement. The program office also relies on a network of SBA district office personnel who are responsible for conducting site visits at the SCORE chapters within their districts to monitor performance.

Annually, SBA enters into a cooperative agreement with SCORE and is responsible for monitoring and overseeing the ongoing SCORE operations for effective and efficient use of federal funds. SBA awarded SCORE $10.5 million in FY 2017 and $11.5 million in FY 2018 to fund volunteer recruitment, training and support, equipment and leases, and other necessary expenditures for a successful volunteer provider network. Additionally, SCORE generates program income from the fees that it collects at educational workshops and seminars, which it uses to fund the cooperative agreement initiatives. In FY 2017, SCORE collected $1.8 million in program income.[1]

In FY 2017, SCORE spent roughly two-thirds of the federal award on paid NSO staff and on contracts for marketing services, financial and performance systems, and other services to lessen the administrative burden on volunteers at the chapters (see table 1).

Table 1. FY 2017 and First Quarter 2018 Award Expenditure Totals by SCORE Component

SCORE Operational Component	Location	2017 Expenditures	Percent of Award	First Quarter 2018 Expenditures	Percent of Award
NSO	Herndon, Virginia	$7,051,943	67%	$1,822,119	81%
SCORE Chapters	300 Chapters Nationwide	$3,448,057	33%	$422,731	19%
Total		**$10,500,000**		**$2,244,850**	

Source: SCORE Association FY 2017 and first quarter FY 2018 financial reports.

In addition to the SBA cooperative agreement, SCORE receives financial support from the SCORE Foundation. The SCORE Foundation is a nonprofit charitable organization established exclusively to benefit SCORE. Both organizations share a common chief executive officer and Board of Directors. However, the SCORE Foundation is a separate entity and did not receive a federal award from SBA. The SCORE Foundation raises the majority of its donations through partnerships with the corporate community that provide support for SCORE's educational initiatives.

Prior Audit Work

We conducted a prior audit of the $840,000 supplemental grant that SBA awarded in FY 2013 to SCORE for Disaster Technical Assistance to determine whether SCORE complied with grant requirements related to federal expenditures and program performance.[2] We found that SCORE did not always comply with financial grant requirements, and we questioned costs totaling more than $391,000, or 47 percent, of SCORE's Hurricane Sandy grant. We also found that SBA exempted SCORE from submitting quarterly financial and performance reports. The audit report included 12 recommendations to address the questioned costs, improve SBA's oversight over SCORE, and require SCORE to improve internal controls over its SBA-funded grant activities for more compliant financial operations and more compliant and reliable financial and performance reporting. Through the audit followup process, SBA management has taken actions to resolve 10 of the 12 recommendations. SBA management is currently working on closing the remaining two recommendations.

Objectives

Our audit objectives were to determine whether SBA had effective oversight to ensure SCORE (1) spent federal funds in accordance with the cooperative agreement requirements and (2) measured and achieved program goals.

[1] According to 2 CFR § 200.80, program income includes all funds that are directly generated by a supported activity or earned as a result of the award.
[2] SBA OIG Report 17-10, The SCORE Association's Disaster Technical Assistance Grant (March 31, 2017).

Finding 1: Improvements Needed to Ensure SCORE Minimizes Risk of Fraud or Misuse of Program Funds

SBA did not ensure SCORE spent federal funds in accordance with the cooperative agreement requirements. Specifically, program officials did not detect that SCORE

- commingled restricted federal funds with unrestricted donations;
- used federal funds for unallowable, unallocable, and unsupported costs;
- inappropriately solicited donations for mentoring services;
- incorrectly managed funds used for cosponsored activities; and
- charged for publication materials that did not include the required SBA acknowledgement statement.

Program officials did not detect unallowable and unsupported costs because they did not perform sufficient reviews to ensure SCORE adhered to the federal requirements for quarterly financial reporting. Also, they did not ensure SCORE established effective internal controls over its use of federal funds. Further, despite the longstanding partnership between SBA and SCORE, program officials did not keep track of the total cost of the program and did not perform a complete financial examination of SCORE. Compounding these issues, SCORE relied on more than 300 accounting systems to track federal funds, which affected its ability to perform effective oversight. As a result, of the $2,127,876 of expense and revenue transactions tested, SCORE used $713,986 of federal funds, or nearly 34 percent, for questioned or unsupported expenses and revenue. (See appendix II for a schedule of our questioned costs.) Further, weaknesses in SCORE's internal controls resulted in two confirmed instances of fraud in FY 2016.

If the identified internal control weaknesses remain unaddressed, the SCORE program will remain susceptible to an increased risk of fraud, waste, and abuse. Additionally, because program officials included irregular language for reporting suspected wrongdoing in the cooperative agreement, proper investigations of potential claims may be restricted. Program officials are responsible for ensuring integrity in the SCORE program, which includes requiring SCORE to establish and implement effective accounting practices to ensure it used federal funds for their intended purpose.

Commingled Restricted Federal Funds and Unrestricted Funds

Program officials authorized SCORE to add the program income it generated to the cooperative agreement award amount. Accordingly, program officials restricted SCORE's use of program income to allowable, allocable, and reasonable expenditures under the agreement and subjected it to the same period of performance and closeout procedures. Further, federal regulations require recipients to maintain financial management systems sufficient to adequately identify the source and application of funds for federally funded activities.[3] The program announcement for the SCORE program specified that program income may not be commingled with any other funds. SCORE's operating manual reiterated the definition of commingled funds and clearly states that once restricted and unrestricted funds are mixed, they are all considered restricted.

However, we found that program officials did not ensure that SCORE followed federal regulations regarding the proper accounting of program income. Further, SCORE did not ensure chapters

[3] 2 CFR § 200.302 (b)(3).

adhered to the clear guidance on restricting program income as stated in its operating manual. Specifically, we found that none of the three SCORE chapters we visited separated restricted federal funds, which included cooperative agreement funds and program income, from unrestricted donated revenue. Instead, these chapters commingled funds from all revenue sources in their accounting systems and bank accounts. Because the three chapters did not separate their restricted and unrestricted funds, they were not able to adequately trace the funds they used to pay for unallowable expenditures. SCORE chapters may use unrestricted funds for alcohol and other costs that the federal government considers unallowable, unallocable, and unreasonable, as long as they account for these funds separately from federal funds. Program officials did not have visibility of these chapters' expenditures because they did not perform a financial examination on SCORE. Instead, they completely relied on the NSO to enforce these accounting standards. However, with more than 300 separate accounting systems, including some that chapter volunteers kept on private computers, the NSO lacked the ability to effectively monitor chapters' compliance. Because program officials did not hold SCORE accountable for ensuring it had sufficient controls to trace its funds, SCORE chapters did not properly account for the federal award funds.

Unallowable, Unallocable, and Unsupported Costs

Program officials did not ensure that SCORE established effective internal controls to manage the cooperative agreement in compliance with laws, regulations, and award requirements. This included excessive bonuses, improperly awarded contracts, unallocable expenses that benefited the SCORE Foundation, prohibited costs, excessive local travel, and out-of-period costs. These deficiencies occurred because program officials did not adequately examine SCORE's financial records, did not enforce requirements for reporting personnel expenditures or for properly awarding contracts, and did not ensure that SCORE had established effective oversight of the 300 accounting systems used through its network of chapter locations. Since program officials did not require SCORE to manage its federal funds in accordance with the cooperative agreement requirements, SCORE used award funds for unallowable, unallocable, and unsupported costs totaling $627,299 and misallocated $4,687 of program income.

Excessive Bonuses

Program officials did not detect that SCORE had redistributed award funds to increase bonus payments to NSO paid staff. We found that SCORE used $101,014 of funds that remained on the FY 2017 federal award to increase its bonus pool. Federal regulations allowed nonprofit organizations to use federal funds for bonuses, as long as they were reasonable for the actual personal services rendered and planned rather than a distribution of earnings in excess of costs.[4] In SCORE's initial budget, it included $157,036 for an unspecified line item labeled "Additional Provisional Budget." SCORE officials told us that they had planned to use the "Additional Provisional Budget" line item as support for their budgeted bonus expenses. However, program officials admitted that they did not know how SCORE handled its year-end bonuses and had never discussed bonus payments with SCORE officials. According to its general ledger and payroll documents, SCORE paid 19 employees $258,050 of award funds for year-end bonuses, 66 percent of which went to 4 SCORE executives. SCORE included this cost as part of its fourth quarter funding request, wherein SCORE used the remaining funds for the federal award. The cooperative agreement required that SCORE provide program officials with a detailed worksheet listing personnel expenses with every request for advance or reimbursement of funds. Program officials did

[4] 2 CFR § 200.430 (g) & (h).

not enforce this reporting requirement for SCORE's reimbursement requests; therefore, they did not detect that SCORE used the funds remaining on the federal award for bonus payments to its compensated staff. As a result, we question the $101,014 of unallowable distribution of award funds in excess of costs for SCORE's bonus payments to staff. Without effective oversight over SCORE's quarterly financial reports, program officials risk having federal funds that were budgeted for activities that advance the program being diverted to increase bonus payment amounts.

Improperly Awarded Contracts

Program officials did not ensure that SCORE complied with the cooperative agreement requirements for awarding contracts in 12 out of 25 contracts selected for review. Specifically, program officials did not maintain support that SCORE properly informed the program office about contracts awarded, as required by the cooperative agreement. During our review, SCORE officials provided adequate support for 3 of the 12 contracts; however, SCORE was unable to provide support that it properly competed 9 out of the 12 contracts. The transaction costs that we tested for these contracts totaled $491,116.[5]

The cooperative agreement required SCORE to obtain at least three qualified price quotes and inform program officials of these quotes in the corresponding payment request or financial report, for contract awards less than $150,000. For contracts awarded more than $150,000, SCORE was required to follow federal competitive award procedures and obtain prior approval from program officials before awarding the contract.[6] Despite these requirements, program officials could not provide evidence that SCORE included price quotes for any corresponding payment request or financial report. Although program officials told us they frequently discussed the contracts awarded with SCORE, program officials could not provide support for these conversations.

Further, federal regulations require that award recipients conduct all procurement transactions in a manner providing full and open competition and that they maintain their own written procurement procedures that conform to federal standards.[7] Program officials did not ensure that SCORE established its own written procurement procedures. Instead, SCORE stated it used the procedures in the cooperative agreement as their documented procurement procedures. For the 9 contracts in our sample where SCORE did not comply with terms and conditions of the cooperative agreement, we question $491,116 in improperly awarded contract costs. Because program officials did not enforce that SCORE adhered to the cooperative agreement requirements to competitively award contracts, program officials cannot assert that the prices paid for the contracted goods and services were fair and reasonable.

Unallocable Expenses That Benefited the SCORE Foundation

Program officials did not detect that SCORE used federal award funds to fully reimburse expenses for activities that supported both the cooperative agreement and the SCORE Foundation, totaling $40,947. Specifically, SCORE used $32,000 of award funds to reimburse a consultant who performed executive coaching services for its chief executive officer

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[5] For one of the contracts, we questioned the fees provided to the vendor and not the cost of the services provided.
[6] According to the terms and conditions of the cooperative agreement, SCORE can award a noncompetitive contract if program officials approved that there was only one possible source or an emergency.
[7] 2 CFR § 200.319 (a) and 2 CFR 200.318 (a).

(CEO). Because the CEO of SCORE also served as the CEO of the SCORE Foundation, and received compensation from both entities, SCORE's support was insufficient for us to determine whether this was an allocable cost to the agreement. The cooperative agreement required that all costs be allowable under cost principles and allocable in whole or in part to the project funded by the federal award. Further, according to federal regulations, where a cost benefits both the federal award and other work, the expense involved must be distributed in proportion to the relative benefits received.[8] However, the coaching services contract lacked specificity on the services provided and did not define service deliverables to assess which organization, SCORE or the SCORE Foundation, benefited from the contract. In addition, the invoices lacked sufficient detail to determine what and when services were rendered.

Further, SCORE used $8,947 of federal funds for the Board of Directors meeting expenses. The same Board members govern both SCORE and the SCORE Foundation. However, SCORE did not distribute any portion of the expense to the SCORE Foundation. Program officials may have detected the lack of proper support for the allocability of these costs had it performed an independent financial examination of SCORE. However, despite SBA having a specialized financial examination unit, program officials had never requested a complete financial examination of SCORE. Program officials explained that they didn't request a financial examination of SCORE because it was not congressionally mandated. Program officials told us they plan to perform a financial examination of SCORE in the future. As a result of SCORE not determining a reasonable distribution of the costs that benefited the federal agreement and the SCORE Foundation, we determined that these should have been spent on the cooperative agreement activities.

Prohibited Costs, Unallowable Local Travel Expenses, and Unallocable Out-of-Period Costs

Program officials did not detect that SCORE used federal funds for prohibited costs, unallowable local travel expenses, and unallocable out-of-period costs. We observed 21 instances of these types of costs in the transactions we tested, totaling $35,341 (costs detailed in table 2). The prohibited costs were for alcoholic beverages and donations, which were unallowable expenses according to federal regulations.[9] SCORE chapters did not separate restricted award funds and unrestricted funds and could not support that it used unrestricted funds for the prohibited costs. In addition, SCORE used federal funds for costs that lacked sufficient support to determine whether they were allowable. SCORE also used federal funds to reimburse local lodging costs that were prohibited by the cooperative agreement. Further, one of the three chapters reimbursed a volunteer for unreasonable local transportation costs that did not adhere to federal regulations since the chapter significantly deviated from SCORE's established policies.[10]

We also found that two of the three chapters we visited did not properly close out their accounts at the end of the FYs 2016 and 2017 award periods. For the FYs 2017 and 2018 reimbursement requests we reviewed, both chapters included out-of-period costs. Additionally, one chapter reported program income earned in FY 2017 as revenue earned in FY 2018. Federal regulations generally require that award recipients charge only allowable

[8] 2 CFR § 200.405 (a)(2).
[9] 2 CFR § 200.423 and 2 CFR § 200.434 (a).
[10] 2 CFR § 200.404 (e).

costs incurred during the period of performance.[11] The NSO relied on the 300 chapters to report all expenses and program income prior to submitting the final award reimbursement request to program officials. However, the NSO did not directly oversee that the chapters properly accounted for their expenditures, mainly due to its lack of a centralized accounting system. To detect these issues, SBA needed to perform financial examinations and review accounting systems at the various chapter locations. However, to date, SBA has never performed a complete financial examination of SCORE.

Table 2. Other Unsupported, Unallowable, and Unallocable Costs

Transaction Detail	Noncompliant With Requirements	Amount
Unsupported Meal Expenses With Alcohol	2 CFR § 200.403 (g) and 2 CFR § 200.423	$16,993
Alcohol	2 CFR § 200.423	$5,712
Misallocated Program Income	2 CFR §200.309	$4,687
Out-of-Period Costs	2 CFR §200.309	$3,974
Local Travel	Cooperative Agreement Terms and Conditions and 2 CFR § 200.404 (e)	$3,094
Donations	2 CFR § 200.434 (a)	$500
Unsupported Gifts and Travel	2 CFR § 200.403 (g)	$381
Total		**$35,341**

Source: OIG generated based on analysis of transactions tested for our audit sample.

Inappropriately Solicited Donations for Mentoring Services

Program officials did not ensure that SCORE performed free mentoring services, a requirement of the cooperative agreement. Specifically, one of the three chapters we visited had solicited donations from client firms that it had offered on-site mentoring assistance. The chapter received $82,000 in donations directly related to the on-site mentoring assistance. The cooperative agreement requires that SCORE must provide mentoring assistance at no cost to its clients. Further, SCORE's Code of Ethics prohibits volunteers from soliciting any form of compensation when providing mentoring assistance. Although volunteers characterized the on-site mentoring assistance sessions as Advisory Board services, they were recorded as mentoring sessions with co-mentors and should have been provided to the client for free. SBA was not aware that SCORE had solicited donations for mentoring services. Further, the agreement required that SBA preapprove any new source of program income. Currently, SCORE only has approval to charge a minimal fee for training services. Another chapter we visited offered similar services for no charge and did not solicit donations in connection with the on-site mentoring assistance services. During interviews with all three chapters we visited, volunteers mentioned that other chapters offered these types of on-site co-mentoring services and may charge a fee or solicit donations. SCORE's actions to solicit donations for services that are required to be provided without charge conflicts with SCORE's mission to provide free mentoring services to small businesses.

Incorrectly Managed Funds Used for Cosponsored Activities

Neither SBA nor SCORE complied with the cooperative agreement requirements for cosponsored activities. Two of the three chapters we visited collaborated with the SBA district office to cosponsor 2017 and 2018 local small business award ceremonies. The cooperative agreement required that SBA and SCORE enter into a separate cosponsorship agreement for these

[11] 2 CFR § 200.309.

cosponsored activities. However, SBA district office personnel and SCORE chapters did not ensure the cosponsorship agreements were approved by the proper authorities within SBA and SCORE. Additionally, the cooperative agreement required SCORE account for the cosponsorship funds separately from its federal award. However, at one of the chapters we visited, the SBA district office personnel did not ensure that the SCORE chapter recorded the cosponsorship funds in detail or separate from its award funds. We also found that the same district office personnel collected cosponsor funds, despite strict procedures that prohibited SBA's district offices from handling cosponsorship funds.

These issues occurred because district office personnel either were inexperienced, lacked training, or continued to follow past bad practices. Further, we determined that program officials were not involved in the oversight of these cosponsorship agreements and were unaware of the number of agreements that existed between SCORE chapters and SBA district offices. Likewise, NSO officials were also unaware of the number of agreements that were in place between chapters and SBA district offices. Without adequate approval authority and proper oversight of the handling of cosponsor funds, SBA risks the funds not being used for authorized purposes.

SCORE's Published Materials Did Not Consistently Acknowledge SBA's Support of the Program

Program officials did not ensure that SCORE consistently acknowledged SBA's support of the program on its publication materials, as required by the cooperative agreement. The cooperative agreement required that SCORE acknowledge SBA's involvement with the program for all published materials paid for, in whole or in part, with agreement funds. However, we observed that publication materials at all three chapter locations did not include any acknowledgement of SBA's statement. Although program officials told us they repeatedly brought this requirement to SCORE's attention, they did not act to ensure SCORE consistently published materials that acknowledged SBA's support of the program. Furthermore, the program office did not establish requirements that the SBA district office SCORE liaisons coordinate the recognition of SBA on SCORE's marketing materials. SCORE chapters used $229,000 of FY 2017 funds to print materials; however, we cannot determine how much of this material did not properly acknowledge SBA's role in the program; therefore, we did not question any costs associated with this noncompliance. Because program officials did not enforce the requirement to acknowledge SBA's support, SCORE clients and the public may not be aware that SCORE is a taxpayer-funded program.

SBA Did Not Track Total Cost of the Program

We found that SBA was not aware of the total cost of the SCORE program and may have underreported the cost of the program. In its FY 2019 Congressional Budget Justification and FY 2017 Annual Performance Report, SBA reported that the program cost $17.6 million. When reporting the total cost of the SCORE program, SBA relied on an estimated 2.5 percent of general Agency overhead, which may have significantly underestimated the cost of donated lease space. SBA does not directly include the cost of leased space or related material and services that it donated to SCORE. The Small Business Act gives SBA the authority to donate the use of Agency office facilities and related material and services. As such, SCORE chapters are often colocated with SBA district offices. However, SBA did not track the cost of the colocated office space used by SCORE. SBA officials stated that the idea of tracking SCORE's leased footprint was raised before, but it was not pursued because of the perceived workload involved.

SCORE's financial statements included nearly $2.7 million of donated facilities, goods, and services. According to SCORE officials, that amount included more than $1.7 million of donated government space, which was based on data that SBA had provided SCORE. However, SBA officials within the program office and administrative services could not validate the amounts reported for the donated office space.

Fraud in the Program and Lack of Appropriate Whistleblower Reporting System

Program officials did not have effective oversight to ensure SCORE established a proper control environment over financial reporting at the chapter level. Instead, SCORE did not foster an environment that promoted transparency and clearly protected volunteers' whistleblower rights under federal law.[12] Weaknesses in SCORE's internal controls led to two instances of fraud in FY 2016. These cases involved contracted temporary administrative personnel, within two SCORE chapters, who stole more than $30,250 of award funds and equipment. In both cases, chapter leadership could have easily discovered the fraud if they had performed proper oversight of award funds. OIG investigated both cases, which ended in criminal prosecution.

It is important that SCORE volunteers report suspected cases of fraud, waste, and abuse to proper authorities. However, SCORE did not advise volunteers of their protected options for disclosing evidence of fraud, waste, or abuse, which include the OIG Hotline and program officials. Instead, SCORE discouraged reporting outside of the organization, which contradicted the cooperative agreement requirements that all SCORE principals, employees, and agents report instances of fraud, waste, or abuse to SBA or the OIG Hotline. Additionally, the cooperative agreement terms and conditions contained irregular language that may have reduced the number of potential referrals of fraud, waste, and abuse to OIG by seeking to filter referrals through the program office. Federal law mandates that SBA ensure that award recipients inform their employees, which would include SCORE volunteers, of their rights and remedies to whistleblower protection when reporting fraud, waste, or abuse. Without strong whistleblower protections and clear reporting requirements, SCORE is at risk that more cases of fraud, waste, and abuse will go unreported.

Recommendations

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

1. Implement financial oversight procedures of the SCORE program to ensure the program office enforces the cooperative agreement requirements for SCORE to use the federal funds for allowable, allocable, and reasonable expenses; adhere to contract award procedures; document its procurement procedures; and separate the restricted and unrestricted funds.

2. Require SCORE to develop clear guidance and provide training to all SCORE chapter leadership on properly generating and using program income and require that the SCORE Association maintain records showing that all leadership were trained.

3. Recover $696,743 for unallowable and unallocable expenses for improperly awarded contracts, excessive executive compensation, Foundation costs, alcohol, excessive local mileage reimbursements, out-of-period costs and program income, and prohibited solicited donations.

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[12] Public Law 112-239, National Defense Authorization Act for FY 2013, §834 (January 2, 2013) created a pilot program for extended whistleblower protection from reprisal, and Public Law 114-261 (December 14, 2016) amended the program to eliminate its pilot program status.

4. Remedy $17,243 in unsupported expenses for nonitemized charges from meals with alcohol and for expenses reimbursed without receipts.

5. Implement a process to ensure that SCORE includes the required acknowledgement of SBA support on its publications.

6. Implement a process to verify that all cosponsorship agreements that SBA enters into with SCORE are properly approved and adhered to.

7. Modify the terms and conditions in the notice of award to ensure whistleblower reporting procedures emphasize unrestricted access to the Office of Inspector General Hotline and require SCORE to update its standard operating manual to include whistleblower reporting that complies with the Whistleblower Protection Act.

We recommend that the Administrator:

8. Assess the cost of the leased space or related material and services that it donated to SCORE for accurate reporting of the cost of the SCORE program.

Finding 2: SBA Did Not Ensure It Accurately Measured the Effectiveness of the SCORE Program

Program officials did not accurately report SCORE program goal achievements for two of the three program goals for FY 2017. Additionally, program officials established only one outcome-based performance measure to assess program effectiveness. These issues occurred because program officials did not establish a process that ensured quality reporting on SCORE's performance. Additionally, SBA's performance system of record was prone to upload errors and failed to capture a complete record of SCORE's performance data. Program officials also did not develop a balanced set of performance measures. As a result of these inaccuracies, SBA officials and other decision makers cannot rely on the performance results for the SCORE program reported in FY 2017. Furthermore, without comprehensive performance measurements for the SCORE program, SBA officials and other decision makers cannot determine whether small businesses and entrepreneurs benefited from the program as intended.

Problems With SBA's Performance System of Record

Program officials reported inaccurate results for SCORE's number of clients trained and number of clients mentored performance measures to Congress in SBA's FY 2019 Congressional Budget Justification and FY 2017 Annual Performance Report (CBJ/APR). Specifically, program officials overreported SCORE's accomplishments for number of clients trained by 31 percent and underreported SCORE's accomplishments for total number of clients mentored by 7 percent. On a quarterly basis, SCORE uploaded the number of clients trained and number of clients mentored data into SBA's performance system of record, Entrepreneurial Development Management Information System (EDMIS). Additionally, SCORE provided the program office with quarterly performance reports, as required by the cooperative agreement. Program officials relied on the performance results SCORE uploaded into EDMIS to report actual performance results for the SCORE program in the CBJ/APR. Table 3 below shows the differences between the results that SCORE and SBA reported for FY 2017.

Table 3. Actual Performance Results for FY 2017 Reported by SCORE and SBA

Performance Measures	SCORE's Performance Reports	SBA's CBJ/APR	Diff. Compared to CBJ/APR
Number of Clients Mentored	136,606	126,892	-7%
Number of Clients Trained	397,967	519,368	31%

Source: SCORE's quarterly performance reports and SBA's CBJ/APR.

Program officials reported inaccurate performance results for number of clients trained because SCORE uploaded erroneous data to EDMIS due to an incorrect database query. SCORE officials explained that the query they used miscalculated the total attendees for each online workshop, mistakenly adding 110,221 records of clients trained. Program officials did not detect the overreported records of clients trained.

Additionally, program officials reported inaccurate performance results for the number of clients mentored because SCORE experienced data loss for every quarter it uploaded into EDMIS. The process SCORE officials used to upload performance data from its internal performance tracking system, CORE, into SBA's EDMIS was inefficient and prone to error. SCORE officials told us they typically experience a 2–3 percent loss of data. However, we observed a difference of 7 percent for the reported number of clients mentored performance measure. Program officials provided SCORE access to run reports in EDMIS to verify that their submission was accurate, but SCORE officials told us they were unsuccessful due to login issues. As a result of the data loss, program officials underreported SCORE's actual results by nearly 10,000 clients mentored.

Program officials stated that since EDMIS was the system of record for program performance, they did not consider other sources to verify the completeness and accuracy of the performance data. Program officials told us it was SCORE's responsibility to ensure it uploaded accurate performance data in EDMIS. Prior reports from OIG and the Government Accountability Office identified systemic issues with the performance data reported in SBA's EDMIS system.[13] Though SCORE provided quarterly progress reports to the program office as required by the cooperative agreement, program officials did not reconcile the report to the data that SCORE uploaded into EDMIS. This prevented program officials from detecting significant discrepancies in performance data.

Limited Outcome-Based Performance Measures

We also found that program officials had established limited outcome-based performance measures to assess whether the SCORE program has its intended effect on the small businesses and pre-venture entrepreneurs it serves. The purpose of the SCORE program was to provide business and economic development assistance to existing small businesses and pre-venture entrepreneurs. The SCORE program supported SBA's strategic goal to build healthy entrepreneurial ecosystems and create business friendly environments.[14] However, the only outcome-based performance measure that program officials required SCORE to report was the number of small businesses created.[15] In accordance with Government Performance and Results Act Modernization Act of 2010, agencies should establish a balanced set of performance measures to assess progress towards each performance goal including, as appropriate, customer service, efficiency, output, and outcome indicators.[16] Further, OMB Circular A-11 further details that leaders have responsibility for establishing measurable goals and for conducting data-driven reviews that are critical for creating a results-oriented culture.[17] Although the number of small businesses created outcome measurement was a significant indicator of whether the program met its goal to support small business growth, it did not inform program officials on whether it achieved the other intended effects of the program. To better position SBA and other decision makers to monitor the effectiveness of the program, program officials should develop more comprehensive performance measures to determine whether SCORE supports small business growth and expansion, management improvement, increased productivity and innovation as intended.

[13] SBA OIG Report 17-10, The SCORE Association's Disaster Technical Assistance Grant (March 31, 2017); SBA OIG Report 17-09, Audit of New York Small Business Development Center's Phase 2 Disaster Technical Assistance Grant (March 31, 2017); SBA OIG Report 14-19, Improvements Needed in the SBA's Oversight of the Financial Management of the District of Columbia Small Business Development Center (September 29, 2014); and GAO-08-49, Opportunities Exist to Improve Oversight of Women's Business Centers and Coordination Among SBA Programs (November 16, 2007).
[14] SBA's FY 2019 Congressional Budget Justification and FY 2017 Annual Performance Results. According to SBA, a healthy entrepreneurial ecosystem offers entrepreneurs access to a wide range of resources to help them succeed.
[15] Outcome measure means an assessment of the results of a program activity compared to its intended purpose.
[16] Public Law 111-352, GPRA Modernization Act of 2010 (January 2011).
[17] OMB Circular A-11, Part 6 Executive Summary (July 2017).

Recommendations

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

9. Correct the number of clients trained for FY 2017 for the SCORE program in the updated annual Congressional Budget Justification and Annual Performance Report.

10. Implement procedures to review and reconcile SCORE's achievements reported in its quarterly performance reports to the performance results in the Entrepreneurial Development Management Information System to ensure performance results are accurate and complete.

11. Establish additional outcome-based program goals and measurements to assess whether the program achieved all its objectives.

Analysis of Agency Response

SBA management provided formal comments that are included in their entirety in appendix III. SBA management's planned corrective actions resolve eight recommendations, and it implemented corrective actions to close three recommendations.

Summary of Actions Necessary to Close the Recommendations

The following provides a status of the recommendations and the actions necessary to close them.

1. **Resolved.** SBA management concurred with our recommendation, stating that it will conduct annual financial examinations to ensure federal expenses are allowable, allocable, and reasonable; develop a process to review and approve SCORE's contract awards; and require SCORE to document their procurement procedures. Management also will instruct SCORE on separating restricted and unrestricted funds. Management plans to complete final action on this recommendation by September 1, 2020. This recommendation can be closed once management provides evidence that it impemented annual financial examinations and an effective contract review process. Additionally, management must provide evidence that it instructed SCORE on how to properly separate restricted and unrestricted funds at the chapter level.

2. **Resolved.** SBA management concurred with our recommendation, stating that it will direct SCORE to develop guidance and training on generating and using program income to SCORE leadership. Management plans to complete final action on this recommendation by September 15, 2019. This recommendation can be closed once management provides evidence that SCORE has developed guidance and conducted training for all SCORE chapter leadership, including all SCORE chapter treasurers.

3. **Resolved.** SBA management concurred with our recommendation, stating that it will work with SCORE leadership to recover $696,743 for expenses that were not allocable to the grant or unallowable expenses. Management plans to complete final action on this recommendation by September 15, 2020. This recommendation can be closed once management provides evidence that it recovered the $696,743 of unallocable and unallowable expenses.

4. **Resolved.** SBA management concurred with our recommendation, stating that it will work with SCORE leadership to remedy $17,243 in unsupported expenses. Management plans to complete final action on this recommendation by September 15, 2020. This recommendation can be closed once management provides evidence that it remedied the $17,243 of unsupported expenses.

5. **Closed.** SBA management concurred with our recommendation and provided documentation that demonstrates it clarified requirements for SCORE to acknowledge SBA support on all its publications in the terms and conditions in the FY 2019 notice of award. Further, management demonstrated that it implemented new compliance review procedures for SBA SCORE liaisons to use that included requirements to verify that SCORE chapters acknowledge SBA's support on their published material. The SBA SCORE liaisons are required to submit their completed compliance review reports to the program office. In addition, management added the review requirement in the SCORE standard operating procedure. We consider this recommendation closed.

6. **Closed.** SBA management concurred with our recommendation, stating that it will no longer allow SCORE chapters to be fiscal agents for SBA cosponsored events. Management demonstrated that it had informed SBA district offices leadership that SCORE chapters are prohibited from performing the role of fiscal agent for SBA cosponsored events, effective May 17, 2019. In addition, management developed a process for approval of cosponsorship agreements in the SCORE standard operating procedure. We consider this recommendation closed.

7. **Resolved.** SBA management concurred with our recommendation, stating that it plans to modify the terms and conditions in the notice of award to ensure whistleblower reporting procedures emphasize unrestricted access to the OIG Hotline. Management also will require SCORE to update its standard operating manual to include whistleblower reporting that complies with the Whistleblower Protection Act. Management plans to complete final action on this recommendation by November 30, 2019. This recommendation can be closed once management provides evidence that the terms and conditions in the notice of award and SCORE standard operating manual have been modified accordingly.

8. **Resolved.** SBA management concurred with our recommendation, stating that it plans to work collaboratively amongst SBA offices to assess the cost of donated lease space. Management plans to complete final action on this recommendation by September 15, 2020. This recommendation can be closed once management provides evidence that it assessed the cost of leased space donated to SCORE.

9. **Resolved.** SBA management concurred with our recommendation, stating that it plans to report the correct number of clients trained for 2017 to the Office of the Chief Financial Officer to update the Congressional Budget Justification and Annual Performance Report. Management plans to complete final action on this recommendation by September 15, 2019. This recommendation can be closed once management provides evidence that it submitted the corrected performance data to OMB through the Congressional Budget Justification and Annual Performance Report.

10. **Resolved.** SBA management concurred with our recommendation, stating that it plans to modify the terms and conditions in the notice of award to require a quarterly reconciliation with SBA to ensure performance results are accurate and complete. Management plans to complete final action on this recommendation by January 31, 2020. This recommendation can be closed once management provides evidence that it implemented quarterly reconciliations of SCORE's performance results.

11. **Closed.** SBA management concurred with our recommendation, stating that program officials collaborated with SCORE and OMB to develop new program goals, including an additional outcome-based program goal for SCORE. Management demonstrated that it required SCORE to report the following performance measures for 2019: number of unique SCORE clients served, number of SCORE new business starts, and percentage of SCORE new businesses realizing revenue growth. We consider this recommendation closed.

Appendix I: Objectives, Scope, and Methodology

Objectives

Our objectives were to determine whether SBA has effective oversight to ensure SCORE (1) spent federal funds in accordance with cooperative agreement requirements and (2) measured and achieved program goals.

Scope and Methodology

SBA awarded SCORE a $10.5 million cooperative agreement in FY 2017 and a $11.5 million cooperative agreement in FY 2018. Our scope of work focused on SCORE's FY 2017 and the first quarter of FY 2018 financial and performance reporting. We judgmentally selected four locations to test the financial and performance data: NSO and three chapters with the highest expenditures reimbursed by the award funds and program income in FY 2017 (see table 4). We also reviewed expenditures from the first quarter of FY 2018 by the four locations. Due to the chapters' commingling of restricted federal funds with unrestricted donated revenue, we were unable to determine the amount of first quarter expenditures applicable to the federal award.

Table 4. Judgmentally Selected SCORE Locations

Location	FY 2017 Award Expenditures	FY 2017 Program Income
National SCORE Office	$7,051,943	$0
New York City Chapter	$55,914	$123,132
Greater Seattle Chapter	$50,224	$35,880
Washington, DC, Chapter	$46,881	$57,503
Total	**$7,204,962**	**$216,515**

Source: SCORE's FY 2017 General Ledger and SCORE Chapter Form 3's.

To answer our objectives, we reviewed the program announcements for FYs 2017 and 2018, technical proposals, and the terms and conditions in the FYs 2017 and 2018 cooperative agreement notices of award. We examined SCORE's general ledgers, reconciled SCORE's general ledger to their quarterly financial reports, and tested 164 transaction totaling $2,127,876. Also, we reviewed applicable federal laws, regulations, and SBA's policies and procedures. Further, we reconciled SCORE's quarterly performance reports to the CBJ/APR data for completeness and accuracy of SBA's performance reporting.

We interviewed SBA personnel from the Office of Entrepreneurial Development, the Office of Entrepreneurship Education, the Office of Grants Management, and district offices involved in administering and monitoring the SCORE cooperative agreement. We interviewed SCORE officials headquartered in Herndon, VA, to gain an understanding of SCORE's reporting procedures, accounting practices, and chapter operations. Further, we conducted site visits to the SCORE chapters located in Washington, DC; New York, NY; and Seattle, WA. During our site visits, we attended workshops and interviewed attendees.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Use of Computer-Processed Data

We relied on computer-processed data that SBA program officials provided as well as the computer-processed data the NSO personnel provided. For financial examination, we relied on information from SCORE's general ledger provided in a Microsoft Excel workbook by the NSO and SCORE chapters visited. We tested the reliability of transaction-level data in the general ledgers by comparing accounting entries in the general ledger to source documents. As a result, we believe the financial information was reliable for the purposes of this audit.

While examining information that supported performance reporting, we identified data integrity issues, including data that was inaccurate, erroneous, and inconsistent. Specifically, data contained on SBA's EDMIS was not consistent with data in SCORE's internal performance data system. Further, our review identified that data in EDMIS was not consistent with performance reported in SBA's 2019 Congressional Budget Justification and FY 2017 Annual Performance Report. We determined that the EDMIS data was not sufficient to rely upon to assess the performance of SCORE. We made a recommendation in this report to address the data accuracy issues. We also looked at data contained in the quarterly performance reports SCORE submitted to SBA. SCORE's quarterly performance reports reconciled back to SCORE's internal performance data system. Therefore, we believe this quarterly performance information was reliable for the purposes of this audit.

Review of Internal Controls

OMB Circular A-123 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. According to OMB, agencies are responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations. We reviewed SBA's SCORE program and identified deficiencies in SBA's oversight of SCORE's financial reporting and the quality of SBA's reported program performance results. We found that SBA did not ensure that SCORE adhere to the terms and conditions of the cooperative agreement regarding the use of federal funds. SBA also did not establish a process to ensure that it reported accurate and complete performance results for the SCORE program. We also reviewed SCORE's management of the cooperative agreement and identified deficiencies in SCORE's use of federal funds. We made recommendations in this report to address these deficiencies.

Appendix II: Questioned Costs

Table 5. OIG Schedule of Questioned Costs for the SCORE Program[18]

Description	Amount	Explanation
Unallowable Expenses	$491,116.34	Contract costs that did not adhere to the cooperative agreement requirements.
Unallowable Expenses	$101,014.00	Increase over budgeted employee bonus pool without justification.
Unallowable Revenue	$82,000.00	Solicited donations for mentoring services.
Unallocable Expenses	$40,946.79	Costs charged wholly to the cooperative agreement that benefit both the SCORE Association and the SCORE Foundation.
Unsupported Expenses	$16,992.66	Nonitemized charges from meals with alcohol paid with commingled chapter funds.
Unallowable Expenses	$5,712.05	Alcohol costs reimbursed with federal funds or commingled chapter funds.
Unallocable Revenue	$4,686.96	September 2016 program income recorded as FY 2017 program income.
Unallocable Expenses	$3,973.65	Out-of-period costs.
Unallowable Expenses	$3,093.51	Reimbursed local travel that did not adhere to SCORE's established policies.
Unallowable Expenses	$500.00	Donation paid with commingled chapter funds.
Unsupported Expenses	$381.10	Costs missing receipts.
Total Questioned Costs	**$713,985.91***	

*The table totals $750,417.06. We reduced the total questioned amount by $36,431.15 because we questioned certain costs based on noncompliance with more than one cost principle.

Source: Generated by OIG based on OIG's analysis of recipient financial information.

[18] Questioned costs are expenditures that are not supported by adequate documentation at the time of the audit or otherwise do not comply with legal, regulatory, or contractual requirements.

SBA

ASSOCIATE ADMINISTRATOR,
OFFICE OF ENTREPRENEURIAL DEVELOPMENT

RESPONSE TO AUDIT REPORT

U.S. Small Business Administration

Date: April 24, 2019

To: Hannibal "Mike" Ware
Inspector General

From: Allen Gutierrez
Associate Administrator, Office of Entrepreneurial Development

Subject: SBA's Oversight of the SCORE Association (Project No. 18003)

Thank you for the opportunity to respond to the draft report entitled, "SBA's Oversight of the SCORE Association (Project No. 18003)". The objectives of this audit were to determine whether SBA has effective oversight to ensure SCORE (1) spent federal funds in accordance with cooperative agreement requirements and (2) measured and achieved program goals.

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

As the Associate Administrator for OED, one of my priorities has been for our entrepreneurial development programs to be effective, efficient, and accountable to our tax payers. Prior to this OIG audit, we recognized some of the challenges facing the various programs and had begun addressing them. For example, we recently increased the agency's oversight of the SCORE program by adding special terms and conditions in their 2019 Notice of Award. The 2019 special terms and conditions provide for additional financial monitoring.

We will continue to strengthen the Agency's oversight of the SCORE program. My management team and I are committed to ensuring the Agency's entrepreneurial development programs serve the Nation's small businesses to the maximum potential. We will work expeditiously to ensure the recommendations below are resolved.

Recommendation 1: We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to implement financial oversight procedures of the SCORE program to ensure the program office enforces the cooperative agreement requirements for SCORE to use the federal funds for allowable, allocable, and reasonable expenses; adhere to contract award procedures; document its procurement procedures; and separate the restricted and unrestricted funds.

Explanation of Proposed Action: The Associate Administrator for OED agrees with this recommendation. The Agency will conduct an annual financial examination to ensure Federal expenses are allowable, allocable and reasonable. OED will develop a process to review and approve SCORE's contract awards and require them to document procurement procedures. This process will be documented as an appendix to the SCORE SOP. OED will also instruct SCORE on separating restricted and unrestricted funds. Target date for final action is September 1, 2020.

Status: Ongoing. The agency is on target to complete the first annual financial examination prior to September 30, 2019. In addition, the SCORE SOP is in final agency clearance.

Recommendation 2. We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to require SCORE to develop clear guidance and provide training to all SCORE chapter leadership on properly generating and using program income and require that the SCORE Association maintain records showing that leadership were trained.

Explanation of Proposed Action: The Associate Administrator for OED agrees with this recommendation. OED will direct SCORE to develop guidance and training on generating and using Program Income to SCORE Leadership. The training will be provided by no later than the 2019 SCORE National Leadership Conference. OED will direct SCORE to provide documentation verifying the training was conducted.

Status: Target date for final action is September 15, 2019.

Recommendation 3: We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to recover $696,743 for unallowable and unallocable expenses for improperly awarded contracts, excessive executive compensation, Foundation costs, alcohol, excessive local mileage reimbursements, out-of-period costs and program income, and prohibited solicited donations.

Explanation of Proposed Action: The Associate Administrator for OED agrees with this recommendation. OED will work with SCORE leadership to recover $696,743 for expenses that were not allocable to the grant or unallowable expenses.

Status: Target date for final action is September 15, 2020.

Recommendation 4: We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to remedy $17,243 in unsupported expenses for nonitemized charges from meals with alcohol and for expenses reimbursed without receipts.

Explanation of Proposed Action: The Associate Administrator for OED agrees with this recommendation. The Agency will work with SCORE leadership to remedy $17,243 in unsupported expenses.

Status: Target date for final action is September 15, 2020.

Recommendation 5: We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to implement a process to ensure that SCORE includes the required acknowledgement of SBA support on its publications.

Explanation of Proposed Action: The Associate Administrator for OED agrees with this recommendation. In the 2019 Terms and Conditions, OED required SCORE to acknowledge SBA support on its publications. The newly drafted SCORE SOP also addresses this requirement. In addition, working with the Office of Field Operations (OFO), OED implemented new compliance procedures. The OFO SCORE Liaisons, who are located at the SBA District Offices, are now required to verify that SCORE is including the required acknowledgement of SBA support on publications as part of the SCORE compliance review that is performed at the field level. The SCORE Liaisons document SCORE's compliance (or lack thereof) on the newly developed OED compliance review sheets, which are then submitted to OED.

Status: This recommendation has been submitted for closure.

Recommendation 6: We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to implement a process to verify that all cosponsorship agreements that SBA enters into with SCORE are properly approved and adhered to.

Explanation of Proposed Action: The Associate Administrator for OED agrees with this recommendation. In the newly drafted SCORE SOP, the Agency developed a process for approval of cosponsorship agreements. In addition, in March 2019, the Office of Strategic Alliances sent an email to all SBA Responsible Program Officials located in SBA field offices, informing them that local SCORE Chapters are prohibited from performing the role of fiscal agent for SBA cosponsored events, effective May 17, 2019.

Status: This recommendation has been submitted for closure.

Recommendation 7: We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to modify the terms and conditions in the notice of award to ensure whistleblower reporting procedures emphasize unrestricted access to the Office of the Inspector General Hotline and require SCORE to update its standard operating manual to include whistleblower reporting that complies with the Whistleblower Protection Act.

Explanation of Proposed Action: The Associate Administrator for OED agrees with this recommendation. The Agency will modify the terms and conditions in the notice of award to ensure whistleblower reporting procedures emphasize unrestricted access to the OIG General Hotline and require SCORE to update its standard operating manual to include whistleblower reporting that complies with the Whistleblower Protection Act. It is worth noting that there are posters with whistleblower reporting procedures and OIG contact information in SCORE Offices that are co-located with SBA District Offices. The information will be provided for posting.

Status: Target date for final action is November 30, 2019.

<u>Recommendation 8:</u> We recommend that the Administrator assess the cost of the leased space or related material and services that it donated to SCORE for accurate reporting of the cost of the SCORE program.

Explanation of Proposed Action: OED will work with the Office of Executive Management, Installation and Support Services to assess the cost of leased space that is donated to SCORE and report it to the Office of the Chief Financial Officer (OCFO).

Status: Target date for final action is September 15, 2020.

<u>Recommendation 9:</u> We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to correct the number of clients trained for FY 2017 for the SCORE program in the updated annual Congressional Budget Justification and Annual Performance Report.

Explanation of Proposed Action: The Associate Administrator for OED agrees with this recommendation. The Agency will report the correct number of clients trained for 2017 as reported by SCORE on SBA's Entrepreneurial Development Management Information System (EDMIS), the Agency's system of record. SCORE agrees there was an error in reporting the FY 2017 information. SCORE now has the correct number of clients trained to report. OED will provide the corrected number to OCFO to update the Congressional Budget Justification and Annual Performance Report.

Status: Target date for final action is September 15, 2019.

<u>Recommendation 10:</u> We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to implement procedures to review and reconcile SCORE's achievements reported in its quarterly performance reports to the performance results in the Entrepreneurial Development Management Information System (EDMIS) to ensure performance results are accurate and complete.

Explanation of Proposed Action: The Associate Administrator for OED agrees with this recommendation. The Agency will modify SCORE's terms and conditions in their notice of award to require a quarterly review/reconciliation with SBA their quarterly performance reports to the performance results submitted to the SBA's Entrepreneurial Development Management Information System, the Agency's system of record. This will ensure performance results are accurate and complete.

Status: Target date for final action is January 31, 2020.

Recommendation 11: We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to establish additional outcome-based program goals and measurements to assess whether the program achieved all its objectives.

Explanation of Proposed Action: The Associate Administrator for OED agrees with this recommendation. While the OIG was conducting this audit, OED collaborated with OFO and OCFO to identify several new outcome-based performance goals. The Associate Administrator for OED also consulted with each of the Resource Partners and representatives from the Office of Management and Budget in developing these new outcome-based performance goals. As a result, SCORE's new performance goals for 2019 are:

- Number of Unique SCORE Clients Served
- Number of SCORE New Business Starts
- Percentage of SCORE New Businesses Realizing Revenue Growth

Further, it is OED's position that increasing the reporting performance requirements for SCORE, at this time, would be burdensome, considering this grantee shares additional outcome metrics in its annual report.

Status: This recommendation has been submitted for closure.