

AUDIT OF
THE VERMONT WOMEN'S BUSINESS CENTER
AUDIT REPORT NUMBER 1-17
SEPTEMBER 19, 2001

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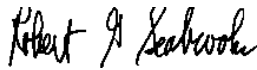


**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

AUDIT REPORT
Issue Date: September 19, 2001
Number: 1-17

To: Wilma Goldstein
Associate Administrator, Office of Women's Business Ownership

Cory Whitehead
Acting Assistant Administrator for Administration

From: 
Robert G. Seabrooks
Assistant Inspector General for Auditing

Subject: Audit of the Vermont Women's Business Center

We completed an audit of the Vermont Women's Business Center (VWBC). The VWBC is housed at Trinity College of Vermont (Trinity) in Burlington, Vermont and provides women with business training, counseling, and technical assistance. The VWBC is co-located with the Women's Small Business Program (WSBP), another program established by Trinity to assist women. Trinity designated the WSBP Director responsibility for administration and supervision of the VWBC. Under the terms of a 5 year cooperative agreement with SBA (the award), Trinity received \$150,000 in federal funds for the VWBC's first project year and was approved to receive \$140,000 in federal funds for the second project year. Based on Trinity's expected closure, SBA approved the assumption of the award by the owners of the college, the Sisters of Mercy. Their application for third year funding is pending SBA action.

OBJECTIVES AND SCOPE

The audit focused on the financial aspects of the award. The audit objectives were to determine if Trinity (1) complied with the financial management terms and conditions of the award, (2) met statutory matching requirements, and (3) reported only allowable costs and in-kind contributions. The audit covered the first project year (July 1, 1999 – June 30, 2000) and the first half of the second project year (July 1, 2000 – December 31, 2000). For year 1 and 2, we reviewed financial information submitted to SBA as well as Trinity's accounting records for the VWBC and determined if these items reconciled. We also interviewed Trinity, VWBC, and SBA officials. For year 1, based on accounting record transaction descriptions that appeared questionable, we judgmentally selected and reviewed supporting documentation for 50

expenditure transactions totaling approximately \$19,873, or 12 percent, of total year 1 expenditures. In addition, we reviewed supporting documentation for the total reported in-kind contributions of \$39,778. We did not review a sample of expenditures and in-kind contributions for year 2. Fieldwork was conducted from March through May 2001. The audit was performed in accordance with Government Auditing Standards.

AUDIT RESULTS

We determined that Trinity (1) did not comply with some of the financial management terms and conditions of the award, (2) undermatched cash by \$24,900 in year 1, (3) reported \$31,655 of unallowable costs and in-kind contributions in year 1, and (4) submitted inaccurate and inconsistent financial information to SBA. As a result, we recommended remittance of \$36,185 to SBA. These issues may represent material non-compliance with terms and conditions of the award, and SBA should determine if suspension of the award is appropriate in accordance with OMB Circular A-110.

FINDING 1: Trinity's Financial Management of the Award Needs Improvement

Trinity's financial management of the award did not ensure proper accountability of award funds. Additionally, written procedures for determining the reasonableness, allocability, and allowability of costs for the award were not maintained, the financial management system records did not adequately identify one source of funds, and personnel activity reports were not maintained to support salaries charged to the award.

The Financial Management System did not Ensure Proper Accountability of Award Funds

Trinity's financial management system did not separately account for the receipt and expenditure of federal, non-federal and program income funds of the VWBC award. OMB Circular A-110, Section 21, requires the recipient's financial management system to provide records that identify adequately the source and application of funds for federally sponsored activities. In addition, Standard Form (SF) 269, Financial Status Report, requires separate reporting of the federal and non-federal share of expenditures, and the amount of disbursed and non-disbursed program income. Further, the SBA Form 2069, Detailed Actual Expenditures for Period Covered by Request, requires the breakdown of federal, non-federal and program income expenditures by budget object cost category. As the system did not separately account for award funds, Trinity can not ensure that financial reports provided to SBA were complete and accurate.

Written Procedures for Determining the Reasonableness, Allocability, and Allowability of Costs were not Maintained

Trinity did not maintain written procedures for determining the reasonableness, allocability, and allowability of costs for the VWBC award. OMB Circular A-110, Section 21,

requires the recipient organization to maintain written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the applicable federal cost principles and the terms and conditions of the award. The auditors questioned costs and in-kind contributions reported to SBA. See Finding 3.

Records did not Adequately Identify One Source of Funds

The source of \$4,000 of year 1 award income was not identified in the accounting records or by supporting documentation. Accordingly, the auditors could not determine if the income was program income or cash match received from a third party, and also could not determine if the income was designated for VWBC activities. OMB Circular A-110, Section 21, requires that the recipient's financial management system provide records that identify adequately the source and application of funds for federally sponsored activities. The circular also requires that the accounting records include cost accounting records that are supported by source documentation.

Personnel Activity Reports were not Maintained to Support Salaries Charged to the Award

Personnel activity reports were not maintained for salaries charged to the award. OMB Circular A-122, Attachment B, requires that personnel activity reports reflecting the distribution of activity to each employee be maintained for all staff members whose compensation is charged, in whole or in part, directly to awards. In addition, the reports must reflect the "after the fact" determination of the actual activity of each employee and must be approved by a responsible official. Also, budget estimates do not qualify as support for charges to the award. Although the auditors determined that salaries charged to the award appeared reasonable, salary expenditures must be more adequately documented in the future.

Recommendations:

We recommend the Acting Assistant Administrator for Administration require Trinity to:

- 1A. Develop income and expense accounts in the financial management system to meet SBA reporting requirements by separately accounting for the receipt and expenditure of federal, non-federal, and program income funds.
- 1B. Develop and implement written procedures for determining the reasonableness, allocability, and allowability of costs.
- 1C. Revise current policies and procedures to ensure appropriate records and supporting documentation are maintained to adequately identify the source and application of award funds.

We recommend the Associate Administrator, Office of Women's Business Ownership, require Trinity to:

- 1D. Revise current policies and procedures to ensure adequate personnel activity reports are maintained for all VWBC staff and approved by the responsible official (VWBC Project Director).

Auditee Comments:

In response to recommendation 1A, Trinity stated that they (1) hired an accounting professor to make the necessary changes to meet SBA's reporting requirements, (2) designed and implemented a new accounting system, and (3) created a report to account for the receipt and expense of federal and non-federal funds as well as program income. In response to recommendation 1B, Trinity stated that the center has the appropriate OMB circulars, A-110 and A-122, as guidelines for determining reasonableness, allocability, and allowability of costs and is in the process of developing written procedures to ensure adherence to the circulars. In response to recommendation 1C, Trinity stated the center has taken steps to ensure they have the highest level of record keeping that is supported by source documentation and has developed new forms that identify program income, cash match, and in-kind match by event. In response to recommendation 1D, Trinity stated that the center has maintained personnel activity reports approved by the Project Director since April 2001. Trinity's response, less attachments, is included herein as Attachment 4.

Evaluation of Auditee Comments:

Trinity's comments indicate agreement with finding 1. Trinity's stated actions are fully responsive to recommendations 1A, 1C, and 1D, and partially responsive to recommendation 1B. Trinity's development of written procedures to ensure adherence to the OMB circulars will ensure costs are in accordance with the applicable federal cost principles. However, additional written procedures must be developed and implemented to ensure Trinity's determination of the reasonableness, allocability, and allowability of costs is also in accordance with the terms and conditions of the award.

FINDING 2: Adequate Cash Match was not Provided In Year 1 of the Award

Trinity undermatched cash by \$24,900 in year 1 of the award. As a condition of receiving financial assistance, Section 29 of the Small Business Act required recipient organizations to obtain cash contributions (cash match and in-kind contributions) from non-federal sources. Cash match is defined as the recipient's cash outlay, including the outlay of money contributed by third parties. For year 1, the matching requirement was 1 non-federal dollar for each 2 federal dollars (50 percent). Also, not more than one half of the non-federal match could be in the form of in-kind contributions. Accordingly, Trinity was required to

provide \$37,500¹ of cash match. An SF 269 submitted to SBA and Trinity's accounting records show that Trinity made outlays for the VWBC of only \$162,600 in year 1 (\$150,000 of federal funds + \$12,600 of cash match). Based on the amount of federal funds drawn down in year 1, Trinity was required to make outlays of \$187,500 (\$150,000 of federal funds + \$37,500 of cash match). As a result, Trinity undermatched cash by \$24,900 (\$37,500-\$12,600). By signing the Application for Federal Assistance, Trinity's Vice President certified that the college had the managerial and financial capability (including funds sufficient to pay the non-federal share of project cost) to ensure proper planning, management, and completion of the project. As a result of the above, Trinity should remit overdrawn federal funds to SBA. See Recommendation 3A and Attachment 3 for an explanation of the required reimbursement.

Recommendations:

We recommend the Associate Administrator, Office of Women's Business Ownership, require Trinity to:

- 2A. Revise current policies and procedures to ensure cash match requirements are met.
- 2B. Correct and resubmit any inaccurate reports previously submitted to SBA for year 1 of the award along with supporting accounting records.

Auditee Comments:

Trinity stated that the VWBC did meet year 1 cash match requirements. They also stated that the final year 1 SF 269 was prepared incorrectly. Trinity provided a spreadsheet entitled "Actual Grant Receipts and Expenditures For Year 1" to support that the adequate amount of cash match was received and expended in year 1. Furthermore, Trinity stated that expenses for the VWBC were consistently understated in all accounting records and reports submitted to SBA in order to align with the year 1 budget and that VWBC expenses were routinely charged to the WSBP expense accounts when the VWBC budget was met or exceeded. Sample invoices were provided to show that VWBC expenses were charged to the WSBP. Additionally, Trinity stated that all reports filed with SBA were based on Trinity's General Ledger information and in some cases, reallocations, transfers, adjustments, and correcting entries were made after SBA reports were due and filed. They further stated that all timing differences will be reconciled in the report filed for the last quarter of year 2, and will be reflected in the final annual report to SBA. By switching over to new accounting software, with accounts that match the requirements of the SF 269 and SF 270, Trinity is confident that they now have accuracy in their reporting.

¹ \$150,000 (federal funds) x 50% = \$75,000 (total required match)/2 = \$37,500

Evaluation of Auditee Comments:

The “Actual Grant Receipts and Expenditures For Year 1” spreadsheet alone is not adequate to support that Trinity met their year 1 cash match requirements. Specifically, accounting records were not provided to support that reallocations, transfer, adjustments, and correcting entries were made after SBA reports were due and filed. Additionally, it is inappropriate to reconcile year 1 timing differences on year 2 SBA reports. Rather, a modified SF 269 with supporting accounting records should be submitted to SBA for year 1. Accordingly, recommendation 2B was added to the audit report. Furthermore, the sample invoices provided were inadequate to support the \$24,900 of year 1 cash undermatch. Some of the invoices covered expenditures incurred by the WSBP prior to the VWBC’s existence, some were solely for WSBP advertising, and for others, the allocability to the VWBC was not verifiable. We continue to support our position and believe that our recommendations are valid.

FINDING 3: Costs and In-kind Contributions of \$31,655 for Year 1 of the Award Should Be Disallowed

Trinity reported costs and in-kind contributions of \$31,655 to SBA that should be disallowed because they were unallowable. OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment A, states that costs must be reasonable, allocable, and adequately documented in order to be allowable.

\$10,408 of VWBC Expenditures were Unallowable

The auditors questioned \$10,408, or 52 percent, of the reviewed year 1 VWBC expenditures because they were unallowable. Of this amount, \$1,244 was unreasonable, \$3,282 was not allocable to the center, and \$5,881 was not adequately supported. See Attachment 1 for a table of questioned expenditures. OMB Circular A-122, Attachment A, states that a cost is reasonable if it does not exceed (in nature and amount) that which would be incurred by a prudent person. A cost is allocable if it is incurred specifically for the award; benefits both the award and other work and can be distributed in reasonable proportion to the benefits received; and is necessary for the overall operation of the organization. Expenditures for WSBP/VWBC co-sponsored activities were considered unreasonable if more than 50 percent of the expenditures were allocated to the VWBC.

\$21,247 of Reported In-kind Contributions were Unallowable

The auditors questioned \$21,247, or 53 percent, of the reported \$39,778 of in-kind match for year 1 because the contributions were unallowable. There was not adequate supporting documentation for \$12,902 of the in-kind match, \$4,745 was unreasonable, and \$3,600 was unallocable. See Attachment 2 for a table of questioned in-kind match. OMB Circular A-110, Section 23, states that third party in-kind contributions will be accepted as match when they are verifiable from the recipients records, necessary and reasonable, and allowable under applicable

cost principles. The circular also requires that the basis for determining the valuation for personal service, materials, and equipment be documented. In-kind donations made for WSBP/VWBC co-sponsored activities were considered unreasonable if more than 50 percent of the donations were counted as in-kind for the VWBC. The VWBC Project Director stated that adequate documentation is now being maintained for all in-kind contributions.

Recommendations:

We recommend the Acting Assistant Administrator for Administration require Trinity to:

- 3A. Remit \$36,185 to SBA for the amount of federal funds overdrawn in year 1 due to the cash undermatch (see finding 2) and the unallowable expenditures and in-kind contributions described above. See Attachment 3 for the calculation of the required reimbursement.
- 3B. Revise current policies and procedures to ensure all costs charged to the award are adequately documented.

We recommend the Associate Administrator, Office of Women's Business Ownership, require Trinity to:

- 3C. Revise current policies and procedures to ensure all third party in-kind contributions are verifiable, necessary and reasonable, and allowable under applicable cost principles.

Auditee Comments:

Trinity disagreed that costs and in-kind contributions of \$38,975 should be disallowed and provided spreadsheets and documentation to support that only \$3,895 of the reviewed VWBC expenditures and in-kind contributions should be disallowed. Trinity also provided support for the \$5,874 of questioned salary expenditures. Trinity believes they should be required to remit only \$2,597 to SBA for the amount of federal funds overdrawn in year 1. Trinity indicated that they agreed with recommendations 3B and 3C and described actions taken to address each recommendation.

Evaluation of Auditee Comments:

Trinity provided adequate support for \$167 of the questioned VWBC expenditures and \$1,279 of the questioned in-kind contributions. Additional documentation provided by Trinity to support VWBC expenditures and in-kind contributions was inadequate for various reasons. For example, vague general journal entries were provided in lieu of supporting invoices, ads were provided that clearly only mentioned the WSBP, and 100% of in-kind contributions donated for co-sponsored classes were counted as in-kind for the VWBC. The auditors continue to question \$10,408 or 52% of the reviewed VWBC expenditures and \$21,247 or 53% of the reported in-

kind contributions. Trinity also provided adequate support for the \$5,874 of questioned salary expenditures. Accordingly, the portion of finding 3 related to this matter and the associated recommendation have been removed from the audit report.

In response to recommendation 3B, Trinity stated they now require timesheets of all employees to document time worked. This action, however, will only ensure that salaries charged to the award are adequately documented. All costs charged to the award should be adequately documented. In response to recommendation 3C, Trinity stated they are now using FASB Statement 116 “Accounting for Contributions Received and Contributions Made” and OMB Circular A-122 as their guidelines for in-kind contributions. Trinity, however, must also ensure that current policies and procedures are revised to ensure compliance with OMB Circular A-110, which states that the basis for determining the valuation of an in-kind contribution must be documented.

FINDING 4: Inaccurate and Inconsistent Financial Information was Submitted to SBA

Inaccurate and inconsistent financial information was submitted to SBA during year 1 and year 2 of the award. Specifically, an overstated amount of cash match was reported for the first half of year 2 and an inconsistent amount of in-kind match was reported for the second quarter of year 2 on SBA required reports. Furthermore, additional financial information submitted to SBA showed overstated amounts of cash match for year 1 and the first half of year 2. As a result, SBA was not provided with a true reflection of the VWBC’s financial status.

Trinity Overstated Cash Match Reported on Required SBA Reports

Trinity overstated the amount of cash match reported to SBA. For the first half of year 2, Trinity reported \$69,994 of cumulative federal expenditures on an SF 269. Trinity also requested reimbursement on an SF 270, and received payment from SBA for this amount. Accordingly, Trinity should have provided approximately \$17,499² of cash match. The accounting records for the first half of year 2 showed total federal and cash match expenditures equaled approximately \$70,738, and therefore, Trinity only spent approximately \$744 (\$70,738 - \$69,994) of cash match. Consequently, as of the first half of year 2, Trinity was cash undermatched by approximately \$16,705 (\$17,449 - \$744). Trinity, however, reported \$17,162 of cash match on the SF 269, leading SBA to believe they were close to being on target for meeting their year 2 cash match requirement. Trinity certified at the bottom of the SF 269 that to the best of their knowledge and belief the report was correct and complete. Trinity also certified on the SF 270 that to the best of their belief and knowledge the data was correct and all outlays were made in accordance with the conditions of the award. As a result of the above, Trinity may be cash undermatched by the end of year 2 and additional funds may be owed to SBA.

² \$69,994 (federal funds drawn down) x 50% = \$34,997 (total required match)/2 = \$17,499

The Amount of In-kind Contributions Reported to SBA on Two Separate Reports for the Same Period were Inconsistent

For the second quarter of year 2, the amount of in-kind reported to SBA on the SF 269 did not reconcile to the SBA Form 2069 submitted with the SF 270. Trinity reported \$22,377 of third party in-kind contributions on the SF 269. The SBA Form 2069 showed in-kind contributions of only \$8,342. Accordingly, one of the reports submitted to SBA was inaccurate and the center may have overstated in-kind on the SF 269 by \$14,035 (\$22,377 - \$8,342). Trinity certified at the bottom of the SF 269 that to the best of their knowledge and belief the report was correct and complete. Trinity also certified on the SF 270 that to the best of their knowledge and belief the data was correct and all outlays were made in accordance with the conditions of the award. The Notice of Award states that the recipient agrees to maintain complete and accurate records to facilitate a financial and/or program audit.

Additional Financial Information Provided to SBA Showed Overstated Amounts of Cash Match

On December 8, 2000, the Office of Women's Business Ownership (OWBO) sent a letter to Trinity requesting a spreadsheet of actual source and use of funds for year 1 and year 2 to date. Attached to Trinity's response dated January 5, 2001, were two spreadsheets entitled "Actual Grant Receipts and Expenditures for Year 1 – 7/1/99 – 6/30/00" and "Grant Receipts and Expenditures – Fiscal Year 2." As the year 1 spreadsheet was prepared approximately 6 months following the close of year 1, the accounting records and reports previously submitted to SBA would have been available for use in preparing the spreadsheet. The year 1 spreadsheet showed that the center received and expended the required \$37,500 of cash match. The accounting records and reports previously submitted to SBA, however, showed that the center only received \$15,500 and expended \$12,600 of cash match. The year 2 spreadsheet showed the center had received \$33,500 and expended \$17,162 of cash match. The accounting records, however, showed that the center had only actually received \$2,600 and the auditors calculated that the center only expended \$744 of cash match. Accordingly, the spreadsheets submitted to SBA with Trinity's response were inaccurate and misleading. Expended cash match was overstated by \$24,900 (\$37,500-\$12,600) for year 1 and by \$16,418 (\$17,162-\$744) for year 2. The Notice of Award states that the recipient agrees to maintain complete and accurate records to facilitate a financial and/or program audit.

Recommendations:

We recommend the Associate Administrator, Office of Women's Business Ownership, require Trinity to:

- 4A. Correct and resubmit any inaccurate reports previously submitted to SBA for year 2 of the award along with supporting accounting records in order to provide SBA with a true reflection of the financial status of the VWBC to date.

- 4B. Revise current policies and procedures to ensure only accurate and complete reports are submitted to SBA.

Auditee Comments:

Trinity stated that they strongly disagree with the inference that the VWBC reports were misleading or in anyway misrepresented. They stated that they have corrected the reports filed for the first and second quarter of year 2 and will submit them to SBA. They stated that the revised reports will provide SBA with a better picture of the center's financial status as of December 31, 2000. Trinity provided the auditors corrected SBA Form 2069s for the first and second quarter of year 2, along with accounting records and lists of VWBC expenditures broken down by expenditure categories. These lists also show the amount of funds requested from SBA for each quarter and the amount of cash match provided. In response to recommendation 4B, Trinity stated that the center has set up an accounting software program to generate the detailed financial information that is required to complete SF 269 and 270.

Evaluation of Auditee Comments:

Although Trinity stated that they disagree with the inference that submitted reports were misleading and misrepresented, they did not provide support to dispute the facts outlined in finding 4. The accounting records and expense lists provided in response to the audit show expenses of \$4,000 more than the accounting records obtained by the auditors during the audit. Nevertheless, they still show that the center was significantly cash undermatched as of the first half of year 2 and therefore, the amount of cash match reported to SBA for the first half of year 2 was overstated.

Although Trinity stated they corrected reports filed for the first and second quarters of year 2, the "corrected" SBA Form 2069s do not reconcile to the accounting records, and therefore, are unsupported. Additionally, the "corrected" SBA Form 2069 for the second quarter of year 2 only shows \$7,764 of in-kind contributions and accordingly, still does not reconcile to the SF 269 submitted to SBA for the second quarter of year 2. All "corrected" reports should be carefully reviewed before being submitted to SBA.

The documentation provided also does not refute our finding that additional financial information provided to SBA showed overstated amounts of cash match. The new accounting software alone will not ensure that only accurate and complete reports are submitted to SBA. If inaccurate information is input to the software, the reports will be incorrect. Accordingly, current policies and procedures should also be revised to include report review procedures.

Other Matters:

The following other matters were identified during the audit: (1) the financial management system could be improved to better allow for a comparison of outlays with budget

amounts, (2) the Project Director's involvement in authorizing VWBC expenditures and reviewing SBA reports could benefit the VWBC, and (3) required SBA approval was not obtained for printed items.

The Financial Management System Could be Improved to Better Allow for a Comparison of Outlays with Budget Amounts

Trinity's automated financial management system could be designed more effectively to minimize the risk of error in comparing actual outlays to budget amounts. Specifically, the automated financial management system expense accounts should be aligned with the budget accounts listed in Trinity's proposal and reflected on the Notice of Award. This would eliminate the need for a manual calculation of the actual outlays by budget cost category when comparing actual outlays to budget amounts. Additionally, the sources of cash match income shown under the "other" budget cost category in the proposed budget should be broken down and shown as costs under the categories they are expected to be expended on. This would reduce the large amount of estimated costs under the "other" budget cost category and would allow for a more accurate representation of estimated costs by budget cost category. OMB Circular A-110, Section 21, requires that recipients maintain a financial management system that will allow for the comparison of actual outlays to budget amounts. Further, the Notice of Award requires that the semi-annual performance report contain information relating to actual financial expenditures of budget object cost categories versus the estimated budget.

The VWBC Project Director's Involvement in Authorizing the Expenditure of Award Funds and Reviewing SBA Reports Could Benefit the VWBC

The VWBC Project Director was not involved in authorizing the expenditure of award funds and reviewing reports submitted to SBA. Trinity proposed that the Project Director would be responsible for the overall daily and strategic administration of the center and successful completion of SBA required reports. Therefore, the Project Director's involvement in authorizing expenditures and reviewing reports may help to ensure that award funds are used for authorized purposes and that accurate reports are submitted to SBA in the future. As a result, questioned costs and in-kind contributions and reporting deficiencies similar to those previously identified in this report may be prevented.

Required SBA Approval was not Obtained for Printed Items

Trinity did not obtain prior SBA approval for printed items. In year 1, \$2,640 was charged to the award's printing expense account for items such as brochures, postcards, magnets, etc. For the first half of year 2, \$644 was charged to the printing expense account. The VWBC District Office Technical Representative (DOTR), informed the auditors that the VWBC did not submit any draft items to her for review and approval prior to printing and distribution. SBA approval should be obtained prior to printing and distribution of items such as brochures, postcards, magnets, etc. to ensure the items are acceptable to SBA. The Notice of Award

required the center to submit draft brochures, fliers, annual reports, etc to the DOTR for review and approval prior to printing and distribution. The VWBC Director stated that SBA approval is now being obtained prior to printing and distribution.

Auditee Comments:

The auditee did not provide comments in response to the other matters.

CONCLUSION

As discussed in Findings 1 through 4, Trinity did not comply with terms and conditions of the award and federal reporting requirements. The instances of non-compliance noted in Findings 1 through 4 may be significant enough to be considered material. OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Section 62, states that if a recipient materially fails to comply with the terms and conditions of the award, the federal awarding agency may take actions including wholly or partly suspending or terminating the current award. OMB Circular A-110, Section 2, describes suspension as an action by the federal awarding agency that temporarily withdraws federal sponsorship under an award, pending corrective action by the recipient or pending a decision to terminate the award by the federal awarding agency.

Recommendation:

We recommend the Associate Administrator, Office of Women’s Business Ownership:

- 5A. Determine if suspension of the award is appropriate in accordance with OMB Circular A-110.

Auditee Comments:

Trinity agrees with our recommendations in several practical areas of program management and administration. However, they stated that the presence of the VWBC and the quality of its offerings have gained widespread recognition throughout the area, and to have the grant suspended or terminated would be against everything that SBA stands for – helping small businesses get started.

Evaluation of Auditee Comments:

After reviewing Trinity’s response to the audit, we continue to support our position that Trinity did not comply with terms and conditions of the award and that the instances of non-

compliance may be significant enough to be material. Accordingly, we believe our recommendation is valid.

SBA Management’s Response to the Audit and OIG Evaluation:

The Associate Administrator, Office of Women’s Business Ownership and the Acting Assistant Administrator for Administration agreed with our findings and believe our recommendations are valid. Their comments are included as Attachment 5.

The findings included in this report are the conclusions of the Office of Inspector General’s Auditing Division. **The findings and recommendations are subject to review, management decision, and corrective action by your office in accordance with existing Agency procedures for audit follow-up and resolution.**

Please provide us your management decision for each recommendation within 80 days. Your management decisions should be recorded on the attached SBA Forms 1824, “Recommendation Action Sheet,” and show either your proposed corrective action and target date for completion, or explanation of your disagreement with our recommendations.

This report may contain proprietary information subject to the provisions of 18 USC 1905. Do not release to the public or another agency without permission of the Office of Inspector General.

Should you or your staff have any questions, please contact Robert G. Hultberg, Director, Business Development Programs Group at (202) 205-7577.

Attachments

Year 1 – Questioned Expenditures

#	Acct #	Trans Date	Vendor	Trans Amt	Questioned Amt	Allowable Amt	Reason for Questioned Amt
1	100	2/4/00		\$ 2,938.03		\$ 2,938.03	
2	120	2/4/00		\$ 224.74		\$ 224.74	
3	110	1/12/00		\$ 200.00	\$ 200.00		unreasonable
4	110	4/18/00		\$ 450.00	\$ 225.00	\$ 225.00	unsupported
5	110	5/1/00		\$ 252.00		\$ 252.00	
6	110	6/23/00	[FOIA Ex. 4 and 6]	\$ 1,200.00	\$ 550.00	\$ 650.00	\$150 unsupported, \$400 unallocable
7	110	6/23/00		\$ 5,000.00	\$ 5,000.00		unsupported
8	202	11/11/99		\$ 24.35	\$ 24.35		unsupported
9	202	4/13/00		\$ 25.50		\$ 25.50	
10	202	6/13/00		\$ 30.00		\$ 30.00	
11	202	6/13/00		\$ 55.75		\$ 55.75	
12	202	6/30/00		\$ 117.89		\$ 117.89	
13	202	6/30/00		\$ 25.00		\$ 25.00	
14	203	4/14/00		\$ 480.00	\$ 240.00	\$ 240.00	unsupported
15	203	5/17/00		\$ 516.00	\$ 258.00	\$ 258.00	unreasonable
16	203	5/17/00		\$ 516.00	\$ 258.00	\$ 258.00	unreasonable
17	203	5/17/00		\$ 516.00	\$ 258.00	\$ 258.00	unreasonable
18	203	5/17/00		\$ 312.00	\$ 156.00	\$ 156.00	unreasonable
19	250	1/18/00		\$ 24.07		\$ 24.07	
20	250	4/5/00		\$ 52.44		\$ 52.44	
21	320	6/20/00		\$ 119.55		\$ 119.55	
22	320	6/23/00		\$ 1,242.00		\$ 1,242.00	
23	320	6/30/00		\$ 517.71		\$ 517.71	
24	400	11/23/99		\$ 105.00	\$ 105.00		unallocable
25	400	11/23/99		\$ 105.00	\$ 52.50	\$ 52.50	unreasonable
26	400	11/23/99		\$ 105.00	\$ 105.00		unallocable
27	400	11/23/99		\$ 105.00	\$ 105.00		unsupported
28	400	11/23/99		\$ 1,000.00	\$ 1,000.00		unallocable
29	400	12/3/99		\$ 36.00	\$ 36.00		unallocable
30	400	12/7/99		\$ 105.00		\$ 105.00	
31	400	2/3/00		\$ 105.00	\$ 105.00		unallocable
32	400	2/3/00		\$ 105.00	\$ 105.00		unallocable
33	400	2/17/00		\$ 231.60	\$ 231.60		unallocable
34	400	2/17/00		\$ 21.00	\$ 21.00		unsupported
35	400	2/17/00		\$ 69.40	\$ 69.40		unallocable
36	400	2/18/00		\$ 42.00	\$ 42.00		unsupported
37	400	3/2/00		\$ 231.60	\$ 231.60		unallocable
38	400	3/6/00		\$ 77.59	\$ 38.80	\$ 38.79	unreasonable
39	400	5/1/00		\$ 30.00	\$ 15.00	\$ 15.00	unreasonable
40	400	6/23/00		\$ 640.00	\$ 118.62	\$ 521.38	unallocable
41	400	6/28/00		\$ 775.00	\$ 775.00		unallocable

Attachment 1
Page 2 of 2

#	Acct #	Trans Date	Vendor	Trans Amt	Questioned Amt	Allowable Amt	Reason for Unallowable Amt
42	410	12/10/99		\$ 117.00		\$ 117.00	
43	410	12/10/99		\$ 110.00		\$ 110.00	
44	410	12/16/99		\$ 96.00		\$ 96.00	
45	410	2/9/00	[FOIA Ex. 4 and 6]	\$ 252.00		\$ 252.00	
46	410	4/5/00		\$ 74.00	\$ 74.00		unsupported
47	410	4/11/00		\$ 40.00	\$ 8.00	\$ 32.00	unreasonable
48	410	5/17/00		\$ 64.42		\$ 64.42	
49	410	6/13/00		\$ 90.98		\$ 90.98	
50	410	6/20/00		\$ 300.61		\$ 300.61	
Totals				\$19,873.23	\$10,407.87	\$ 9,465.36	

Year 1 - Questioned In-kind Match

#	Description	Total Match Amount	Amount Questioned	Amount Allowed	Reason for Questioned Amt
1	assist start up	\$ 4,935.00	\$ 2,467.50	\$ 2,467.50	unreasonable
2	assist start up	\$ 2,985.00	\$ 1,492.50	\$ 1,492.50	unreasonable
3	office and conference space	\$ 2,600.00	\$ 2,600.00		unsupported
4	classroom and computer lab space	\$ 3,400.00	\$ 3,400.00		unsupported
5		\$ 3,600.00	\$ 3,600.00		unallocable
6		\$ 2,000.00	\$ 2,000.00		unsupported
7		\$ 744.23	\$ 744.23		unsupported
8		\$ 90.00	\$ 45.00	\$ 45.00	unreasonable
9		\$ 150.00	\$ 75.00	\$ 75.00	unreasonable
10	[FOIA Ex. 6]	\$ 1,020.00	\$ 510.00	\$ 510.00	unreasonable
11		\$ 180.00		\$ 180.00	
12		\$ 240.00	\$ 240.00		unsupported
13		\$ 600.00		\$ 600.00	
14		\$ 250.00		\$ 250.00	
15		\$ 1,949.50		\$ 1,949.50	
16		\$ 40.00		\$ 40.00	
17		\$ 25.00		\$ 25.00	
18		\$ 60.00	\$ 30.00	\$ 30.00	unreasonable
19		\$ 100.00	\$ 50.00	\$ 50.00	unreasonable
20		\$ 398.92		\$ 398.92	
21		\$ 75.00	\$ 37.50	\$ 37.50	unreasonable
22		\$ 300.00		\$ 300.00	
23		\$ 90.00		\$ 90.00	
24		\$ 180.00		\$ 180.00	
25		\$ 1,679.00		\$ 1,679.00	
26		\$ 600.00		\$ 600.00	
27		\$ 204.35		\$ 204.35	
28		\$ 600.00		\$ 600.00	
29		\$ 100.00		\$ 100.00	
30		\$ 180.00	\$ 180.00		unsupported
31		\$ 90.00		\$ 90.00	
32		\$ 150.00		\$ 150.00	
33		\$ 2,170.00		\$ 2,170.00	
34		\$ 360.00		\$ 360.00	
35		\$ 100.00		\$ 100.00	
36		\$ 120.00		\$ 120.00	
37		\$ 24.00		\$ 24.00	
38		\$ 30.00		\$ 30.00	
39		\$ 150.00		\$ 150.00	
40		\$ 900.00		\$ 900.00	

#	Description	Total Match Amount	Amount Questioned	Amount Allowed	Reason for Questioned Amt
41		\$ 25.00		\$ 25.00	
42		\$ 120.00		\$ 120.00	
43		\$ 100.00		\$ 100.00	
44		\$ 300.00		\$ 300.00	
45		\$ 1,280.00	\$ 1,280.00		unsupported
46		\$ 1,050.00		\$ 1,050.00	
47	[FOIA Ex. 6]	\$ 75.00	\$ 37.50	\$ 37.50	unreasonable
48		\$ 150.00		\$ 150.00	
49		\$ 180.00	\$ 180.00		unsupported
50		\$ 60.00		\$ 60.00	
51		\$ 60.00		\$ 60.00	
52		\$ 300.00		\$ 300.00	
53		\$ 120.00		\$ 120.00	
54		\$ 100.00		\$ 100.00	
55		\$ 75.00		\$ 75.00	
56	toys	\$ 35.00		\$ 35.00	
subtotals:					
		\$37,500.00	\$18,969.23	\$ 18,530.77	
	Difference Between In-kind reported on SF 269 (\$39,778) and Spreadsheet of In-kind sources maintained by VWBC as supporting documentation (\$37,500): \$39,778 - \$37,500 =		\$ 2,278.00		unsupported
	Grand total of disallowed costs:		\$21,247.23		

Calculation of Required Reimbursement

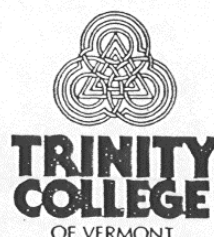
Reported Amount of Federal Funds Outlayed	\$150,000
Reported Amount of Cash Match Outlayed	\$12,600
Reported Amount of In-kind Contributions	<u>\$39,778</u>
Total Reported Outlays/Contributions	\$202,378
Questioned Expenditures (see page 6)	(\$10,408)
Questioned In-kind Contributions (see page 6)	<u>(\$21,247)</u>
Net Outlays/Contributions	\$170,723
(*) Percentage of federal funds/total award funds	<u>2/3</u>
Allowable Draw Down of Federal funds	\$113,815
Total Federal Funds Outlayed	\$150,000
Allowable Draw Down of Federal Funds	<u>(\$113,815)</u>
Required Reimbursement	\$36,185

(*)	Total Federal Funds Requested in Year 1:	\$150,000
	Amount of Required Cash Match:	\$37,500
	Amount of Required In-kind Match:	<u>\$37,500</u>
	Total Year 1 Budget of the Award:	\$225,000

The ratio of federal funds to total award funds is:

Total Federal Funds Requested in Year 1:	<u>\$150,000</u>	=	<u>2</u>
Total Year 1 Budget of the Award:	\$225,000		3

Accordingly, 2/3 of the net outlays equals the allowable amount of federal funds to be drawn down for this award.



Office of the President

August 10, 2001

Robert G. Seabrooks
Small Business Administration
Office of Inspector General
Auditing Division, Mail Code 4112
409 3rd Street, SW
Washington, DC 20416

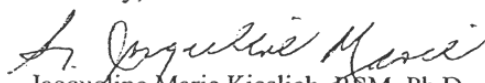
Dear Robert,

Please find attached Trinity College of Vermont's response to the draft audit for the Vermont Women's Business Center. Our response is the work of the Women's Small Business Program staff, Trinity College administrators and independent auditors from the accounting firm of JMM and Associates. All have worked diligently within the short timeline assigned to us. I am proud of the efforts and accomplishments of all who have been involved in the process under circumstances that have been challenging as Trinity College formally ceased its operations on June 30, 2001. Since that time we have been dependent on very limited staffing.

It is my understanding as stated in your letter of July 16th, that the timelines established for the completion of Trinity's response is regulated by SBA internal timelines. It is therefore our expectation that the College will receive a timely response by the second week of September 2001. This will enable us to project our activities for the months ahead.

As I have indicated in the past, the timely resolution of this audit is important to Trinity College of Vermont. The Women's Small Business Program will continue under the sponsorship of the Vermont Regional Community of the Sisters of Mercy, and will be part of Trinity's legacy to the service of Vermont women. As enhancing the economic status of women is a shared mission and goal of both the Sisters and the College, we envision the Vermont Women Business Center as an important part of this service. We anticipate that you are ready to assist us in this effort. It is possible to reach me at 802-846-7208 or 802-846-7209 (administrative assistant).

Sincerely,


Jacqueline Marie Kieslich, RSM, Ph.D.
President

VERMONT WOMEN'S BUSINESS CENTER
RESPONSE TO FINDINGS AND RECOMMENDATIONS
August 10, 2001

FINDING # 1 Trinity College's Financial Management of the Award
Requires Improvement.

1A SBA Comment

Develop income and expense accounts in the financial management system to meet SBA reporting requirements by separately accounting for the receipt and expenditure of federal funds, non-federal funds and program income.

VWBC Response

In November 2000, the WSBP hired [FOIA Ex. 4(b)] Trinity accounting professor, to help them make the necessary changes to meet the reporting requirements of the SBA (OMB Circular A-110, Section 21). For year two, [Ex. 4(b)] has created a new report that accounts for receipt and expense of federal and non-federal funds as well as program income.

1B SBA Comment

Develop and implement written procedures for determining the reasonableness, allocability, and allowability of costs.

VWBC Response

The Center has the appropriate OMB Circulars A-110 and A-122 as a guideline for determining reasonableness, allocability, and allowability of each cost (federally funded or non-federally funded). In addition, we are in the process of developing written procedures to ensure adherence to the Circulars.

1C SBA Comment

Revise current policies and procedures to ensure appropriate records and supporting documentation are maintained to adequately identify the source and application of award funds.

VWBC Response

Since the SBA field audit was done in March 2001, the Center has taken the steps to ensure we have the highest level of record keeping that is supported by source documentation. We have revised our chart of accounts to include separate accounts for federal and non-federal sources of funds using Quickbooks accounting software. We have developed new forms which identify program income, cash match, and in-kind match by event.

FINDING # 2 Adequate Cash Match Was Not Provided in Year 1 of the Award.

- 2A** SBA Comment
Revise current policies and procedures to ensure cash match requirements are met.

VWBC Response

In fact the Vermont Women's Business Center did meet the cash match in Year One of the grant (See Attachment Three). The final 269 Report was prepared incorrectly. In switching over to Quickbooks, with accounts that match the requirements of Form 269 and 270, the Center is confident that we now have accuracy in our reporting.

FINDING # 3 Costs and In-kind Contributions of \$38,975 for Year 1 of the Award Should Be Disallowed.

- 3A** SBA Comment
Remit \$41,065 to SBA for the amount of federal funds overdrawn in year 1 due to the cash undermatch and the unallowable expenditures and in-kind contributions described above.

VWBC Response

Remit \$2,596.78 to the SBA for the amount of federal funds overdrawn in year 1. (See Attachment Five for VWBC Calculation).

- 3B** SBA Comment
Revise current policies and procedures to ensure all costs charged to the award are adequately documented.

VWBC Response

The Vermont Women's Business Center was without a director from July 1, 1999 to September 10, 1999. Pam Greene, Director of the WSBP acted as project director in order to get the Center started.(See Attachment Four)
The VWBC now requires timesheets of all employees to document time worked.

- 3C** SBA Comment
Revise current policies and procedures to ensure adequate personnel activity reports are maintained for all VWBC staff and approved by the responsible official (VWBC Project Director).

VWBC Response

Beginning in April 2001, the Center has maintained personnel activity reports approved by the Project Director.

3D SBA Comment

Revise current policies and procedures to ensure all third party in-kind contributions are verifiable, necessary and reasonable, and allowable under applicable cost principles.

VWBC Response

The Center is now using FASB Statement 116 "Accounting for Contributions Received and Contributions Made" as our guideline for all in-kind contributions. It states "Contributions, as a general rule, are measured at the fair market value on the date received. For contributed services, the fair value may be determined based upon the fair value of services received or the fair value of asset or asset enhancement resulting from the service". We are also using OMB Circular A-122 to define which costs are reasonable and allocable along with identifying the factors affecting the allowability of costs. As evidenced in Attachment Two, we have always utilized a form to document in-kind contributions.

FINDING # 4 Inaccurate and Inconsistent Financial Information Was Submitted to the SBA.

4A SBA Comment

Correct and resubmit any inaccurate reports previously submitted to SBA for year 2 of the award along with supporting records in order to provide SBA with a true reflection of the financial status of the VWBC to date.

VWBC Response

We have corrected reports filed for Quarter One and Quarter Two of Year Two and expect to submit them by August 15, 2001. This will provide the SBA with a better picture of the Center's financial status as of December 31, 2000. (See Attachments Six and Seven)

4B SBA Comment

Revise current policies and procedures to ensure only accurate and complete reports are submitted to the SBA.

VWBC Response

The Center has set up Quickbooks accounting software to generate the detailed financial information that is required to complete Federal Forms 269 and 270.

FINDING # 5 Other Matters

- 5A SBA Comment
We recommend the Acting Associate Administrator, OWBO: Determine if suspension of the current award is appropriate in accordance with OMB Circular A-110.

WBC Response
While Trinity College agrees with the Inspector General's recommendations in several practical areas of program management and administration, the presence of the Vermont Women's Business Center and the quality of its offerings have gained widespread recognition throughout the area. This has been accomplished through the genuine regard and support of the Center by Trinity College, Women's Small Business Program, and area businesses and trainers who have given resources to ensure the continuation of the entrepreneurial programs being offered. To have this grant suspended or terminated would be against everything the SBA stands for - helping small businesses get started.



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

MEMORANDUM

DATE: September 10, 2001

TO: Robert G. Seabrooks
Assistant Inspector General for Audit

FROM: Wilma Goldstein *Wg*
Associate Administrator, Office of Women's Business Ownership

SUBJECT: Audit of the Vermont Women's Business Center

The Office of Women's Business Ownership has reviewed the draft audit report of the Trinity College's Vermont Women's Business Center. We have considered Trinity College's comments on the OIG audit findings and the OIG's evaluation of Trinity College's comments. OWBO agrees with the OIG's findings and believes its recommendations are valid.



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

MEMORANDUM

Date: September 17, 2001
To: Robert G. Seabrooks
Assistant Inspector General for Auditing
From: Acting Assistant Administrator for Administration
Subject: Audit of the Vermont Women's Business Center

The Office of Procurement and Grants Management has reviewed the draft audit report of Trinity College's Vermont Women's Business Center. We have considered Trinity College's comments on the Office of Inspector General (OIG) audit findings and OIG's evaluation of Trinity College's comments. The Office of Administration agrees with OIG's findings and believes the recommendations are valid.


Cory Whitehead

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