

**ADVISORY MEMORANDUM REPORT
ON SBA's EVALUATION AND MONITORING OF
THE VERMONT WOMEN'S BUSINESS CENTER**

ADVISORY MEMORANDUM REPORT NO. 2-11

MARCH 19, 2002

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

Advisory Memorandum Report
Issue Date: March 19, 2002
Number: 2-11

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

Cory Whitehead
Assistant Administrator for Administration

From: Robert G. Seabrooks /s/ Original signed
Assistant Inspector General for Auditing

Subject: SBA's Evaluation and Monitoring of the Vermont Women's Business Center

The purpose of this memorandum is to bring to your attention three issues that we identified during our audit of the Vermont Women's Business Center (VWBC) related to SBA's evaluation and monitoring of the center. The VWBC was a program of Trinity College of Vermont, the grant recipient. Our audit disclosed deficiencies that could be applicable to all Women's Business Centers (WBC) in the areas of (1) reviewing proposed budget and cost information, (2) reviewing staffing roles and experiences, and (3) monitoring the financial and performance aspects of the award. The details of these issues are provided herein along with our recommendations to help strengthen the administration of the Women's Business Center Program. While the Office of Women's Business Ownership (OWBO) has strengthened the process for reviewing financial reports and updated the notice of award to address some of these issues, improvements are still needed to ensure awards are properly evaluated and monitored so that federal funds are safeguarded and the problems identified in our audit are prevented.

Finding 1: SBA's Evaluation of the VWBC was Incomplete

There was no documentation in SBA's files to show that the following financial reviews required by SOP 00 11 were fully completed by the Office of Procurement and Grants Management (OPGM) during SBA's evaluation of the VWBC's budget and cost information.

- Cost Analysis/Budget Review – to determine the extent that the applicant understands the financial aspects of the project and the applicant’s ability to perform grant activities with the requested funding level. This review includes: (1) obtaining cost breakdowns; (2) verifying cost data; (3) evaluating cost elements; (4) examining cost data to determine necessity, reasonableness, allowability, and appropriateness of proposed costs; (5) determining if the appropriate funds are budgeted to meet matching requirements; (6) reviewing direct costs; and (7) determining if costs are presented in sufficient detail.
- Financial and Management System Review – to ascertain that the recipient is capable of managing the project and safeguarding entrusted funds. This review includes determining if the applicant’s financial and management system is compliant with OMB Circular A-110.

SOP 00 11 also requires OPGM to summarize the results of these reviews in a narrative memorandum called the “Memorandum of Negotiation and Cost/Price Analysis.”

OPGM completed a Memorandum of Negotiation and Cost/Price Analysis that contained a breakdown of all proposed costs, a determination that the costs were fair and reasonable, and a statement that negotiations were not required. While the memorandum adequately summarized elements (1) and (4) of the cost analysis/budget review, it did not provide support that the required financial reviews were fully completed because it did not summarize the remaining elements of the Cost Analysis/Budget Review and the results of the Financial and Management System Review. Had the required reviews been fully completed, SBA should have identified that the VWBC budget did not have a cost breakdown for the expenditure of non-federal funds as required by the program announcement. Additionally, the recipient should have been required to provide an accurate cost breakdown to ensure the effective use of funds.

In operating the VWBC, the recipient did not comply with some of the financial management terms and conditions of the award, reported an overstated amount of cash match and an inconsistent amount of in-kind match, and undermatched cash by \$24,900 in year 1 and by approximately \$16,705 for the first half of year 2.

Recommendations:

We recommend that the Assistant Administrator for Administration ensure:

- 1A. Required financial reviews of WBCs are conducted and documented in accordance with SOP 00 11.
- 1B. Budgets are negotiated prior to award of cooperative agreements when deficiencies are identified during the required reviews.

SBA Management’s Response:

In response to recommendations 1A and 1B, the Office of Administration stated they performed the reviews required by the cooperative agreement. They further stated that the “Memorandum of Negotiation and Cost/Price Analysis” provides adequate information about the financial review and was signed by the Grants Management Specialist to certify that a competent budget analysis was accomplished. The Office of Administration also stated that the applicant provided all of the budgetary information required by the program announcement and negotiation was not required. Additionally, they stated that the VWBC did not warrant a more formal cost analysis review, which is sometimes required when a negotiation team is established and there are complex questions and issues to be resolved. The Office of Administration stated that they are currently in the process of reviewing their regulations and determining whether the revised requirements of the SOP are necessary. If the requirements of the SOP are deemed necessary, they will implement the auditors’ recommendations. The Office of Administration’s response is included herein as Attachment 1.

Evaluation of SBA Management’s Response:

SBA’s cooperative agreement with the recipient did not require SBA to review the recipient’s budget and cost information and was issued subsequent to SBA’s review of this information. With respect to the Memorandum of Negotiation and Cost/Price Analysis, it shows that OPGM reviewed the breakdown of proposed costs. However, for the reasons stated in our finding, it does not show that the required financial reviews were fully completed. We continue to support our position that the applicant did not provide a cost breakdown for the expenditure of non-federal funds, and therefore, did not provide all of the budgetary information required by the program announcement. Although the VWBC budget appears to have a breakdown of non-federal costs, income sources were inappropriately presented as costs. If OPGM had completed the required reviews, this deficiency should have been discovered and documented in the Memorandum of Negotiation and Cost/Price Analysis. Additionally, negotiations would have been required to resolve the deficiency and ensure the effective use of funds. The Office of Administration stated that a more formal cost analysis is only sometimes required and that the VWBC did not warrant such analysis. Per SOP 00 11, however, the financial reviews discussed in our finding are required for every discretionary project grant application and first time grant applicants. We agree with the Office of Administration’s decision to review the regulations to determine if the revised SOP requirements are necessary. However, it should be noted that the requirements included in Draft SOP 00 11 (referred to as the “revised” requirements) are the same as the requirements included in the version of SOP 00 11 that is currently in effect. Therefore, we continue to believe that our recommendations should be implemented. If the requirements are deemed unnecessary and the SOP is revised accordingly, recommendation 1A will then become moot.

Finding 2: SBA’s Proposal Evaluation Criteria for Fiscal Year 1999 Did Not Require a Thorough Evaluation of WBCs’ Staffing

The organizational qualifications section of the evaluation criteria used to score WBC proposals for fiscal year 1999 (FY 99) did not require a thorough evaluation of the roles and experiences of WBC staff. Only 2 out of the 25 possible points in this section were allocated to the roles and experiences of the WBC personnel. Accordingly, a WBC may have scored high in organizational qualifications (23 out of 25 points) even if the roles and experiences of the staff were not described in the proposals, or were determined to be inadequate. Two of the three OWBO staff members who conducted the internal review of the FY 99 top-rated proposals noted concerns with the VWBC's proposed staffing. Specifically, one individual stated that the proposed staff was unacceptable, and another stated that the center did not have enough personnel (staff time) devoted to the project. The recipient's staffing weakness, however, did not prevent the award of the cooperative agreement. Additionally, despite SBA's concerns, there was no evidence that SBA closely monitored the VWBC after award of the cooperative agreement to ensure the center hired the necessary staff to effectively manage the project. This may have contributed to the problems identified during the audit of the VWBC.

The audit found that the recipient did not comply with some of the financial management terms and conditions of the award, reported an overstated amount of cash match and an inconsistent amount of in-kind match, and undermatched cash by \$24,900 in year 1 and by approximately \$16,705 for the first half of year 2. Further, the former VWBC Program Coordinator, who was given responsibility for preparing the financial reports submitted to SBA, informed us that she was not familiar with how to account for a grant and was not aware of SBA's matching requirements. In November 2000, the recipient hired an individual with financial expertise to help make the necessary changes to meet SBA's reporting requirements.

By not placing more emphasis on an evaluation of all WBCs' proposed staffing, SBA may have overlooked significant weaknesses in the abilities of all WBCs to manage and perform the awards. Additionally, any WBC found to have staffing weaknesses prior to award may not have been monitored after award to ensure they recruited and maintained the necessary staff to effectively manage the projects.

Recommendations:

We recommend that the Associate Administrator, Office of Women's Business Ownership, ensure:

- 2A. The evaluation criteria is restructured to place greater importance on the organizational qualifications; especially, the roles and experiences of prospective recipients.
- 2B. Recipients of awards that score below average in the area of organizational qualifications are closely monitored during the first project year to ensure they have the ability to manage the projects.

SBA Management's Response:

OWBO agreed with recommendations 2A and 2B. In response to recommendation 2A, OWBO provided an excerpt from the proposed FY 2002 program announcement, which includes evaluation criteria that places greater importance on the organizational qualifications of

prospective recipients. The proposed numerical weight to be assigned to this section was also increased. In response to recommendation 2B, OWBO stated that notice of awards for selected WBCs that score low in the area of organizational qualifications will include special terms and conditions that the WBC must meet to cure problem areas. These notice of awards will specifically state how and when OWBO will review outcomes to determine if funding will continue. OWBO's response is included herein as Attachment 2

Evaluation of SBA Management's Response:

OWBO's proposed actions indicate agreement with Finding 2 and are fully responsive to recommendations 2A and 2B.

Finding 3: SBA's Monitoring of the VWBC Appeared to be Inadequate

SBA is responsible for monitoring the financial and performance aspects of WBCs to ensure the efficient and effective use of federal funds. OPGM is responsible for fiscal monitoring and OWBO is responsible for programmatic oversight. These monitoring responsibilities include the following.

- Financial Monitoring Responsibilities - The monitoring guide for WBCs requires OWBO to review all financial reports and conduct cursory reviews of payment request figures to determine if recipients are meeting match requirements. If adequate match is not shown, OWBO must request documentation from the recipient that forecasts how the match will be met in the future. The last payment request of the project period is approved by OWBO only after the budget period expires and full match has been applied. OWBO forwards approved payment requests to OPGM. OPGM reviews the requests to ensure costs are allowable and processes the payments.
- Performance Monitoring Responsibilities – Per the monitoring guide for WBCs, SBA uses semi-annual performance reports to monitor the performance of WBCs. The Notice of Award requires SBA to review the reports for completeness and adequacy. SBA may withhold payment if reports are deemed inadequate.

During our audit of the VWBC, we determined that SBA's monitoring of the center appeared to be inadequate because SBA did not discover: (1) submitted financial reports contained inadequate and inconsistent match amounts, (2) mathematical errors on supporting documentation submitted with a payment request, (3) performance reports were incomplete, and (4) inconsistent and misleading financial information. Additionally, SBA did not enforce the recipient's submission of a required cash match certification.

Financial Reports

SBA did not uncover deficiencies in the match amounts reported on financial reports. The recipient submitted four Financial Status Reports (SF 269) and four related Requests for Reimbursement (SF 270) with supporting Detailed Actual Expenditure Reports (SBA Form 2069) during the first year and a half of the award. Three of the SF 269s and SF 270s showed

that there was significant undermatch for the amount of federal funds drawn down (see Table 1). Additionally, the amount of match reported on one SF 270 did not reconcile to the amount reported on the supporting SBA Form 2069s (see Table 2). There was no documentation to show that SBA, prior to approving payments of \$219,994, received forecasts of how the required match would be met in the future.

Table 1: Significant Undermatch Shown on Three SF 269s and SF 270s								
1	2	3	4	5	6	7	8	9
SF 270	Fed. Funds Draw Down (SF270)	Cum. Draw Down for year	Total Required Match (col 3 x 50%)	Total Reported Match (SF270 & 269)	Total Under Match	Required Cash Match (col 4 x 50%)	Reported Cash Match (SF269 & SBA Form 2069)	Cash Under Match
YEAR 1								
1	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]
2	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]
YEAR 2								
3	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]

* This amount is understated due to [FOIA EX 4] of in-kind overmatch included in the total reported match amount. This amount should equal [FOIA EX 4] (amt of cash undermatch), as the VWBC did not meet their cash match requirement for Request for Reimbursement (SF 270) #2.

Table 2: An SF 270 Submitted by Trinity Did Not Reconcile to Supporting SBA Form 2069s			
Applicable Form(s)	Total Reported Match	Total Required Match	Total Under/ (Over) Match
SF 270	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]
SBA Form 2069s	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]
Difference	[FOIA EX4]	[FOIA EX4]	[FOIA EX4]

* This discrepancy was a result of a misstatement of in-kind match on one of the year 2-second quarter reports. [FOIA EX 4] of in-kind match was reported on the SF 269 that reconciled to the SF 270 and [FOIA EX 4] was reported on the SBA Form 2069 for a difference of [FOIA EX 4]. Accordingly, Trinity may not have been adequately matched for the first half of year 2.

Supporting Documentation

SBA did not discover mathematical errors on a salary spreadsheet that was submitted as supporting documentation for a [FOIA EX 4] Request for Reimbursement. Although the bottom-line totals of the salary spreadsheet reconciled to the salary and fringe amounts reported on the supporting SBA Form 2069, miscalculations on the spreadsheet caused the salary amount to be overstated by approximately [FOIA EX 4] and the fringe amount to be overstated by approximately [FOIA EX 4]. There was no documentation in SBA's files to show that SBA requested clarification of the miscalculations prior to approving the [FOIA EX 4] payment request.

Performance Reports

SBA did not uncover deficiencies in performance reports or withhold payment for the recipient's failure to meet reporting requirements. Per the Notice of Award, semi-annual performance reports must include (1) a comparison of actual accomplishments to the estimated milestones established for the reporting period, including a milestone achievement chart; (2) reasons for slippage in those cases where the milestones were not met, and a plan of action to overcome those slippages; (3) information relating to actual financial expenditures of budget object cost category versus the estimated budget; (4) a list of board members and board chairperson with physical and e-mail addresses, phone numbers, and fax numbers; and (5) the cost of client tuition.

The table below shows that the first and second semi-annual performance reports were incomplete. There is no evidence that SBA was aware of the deficiencies or notified the recipient to submit corrected reports.

Semi-Annual Performance Report Requirements Not Met		
Performance Report Requirement	Included in the 1st Semi-Annual Report?	Included in the 2nd Semi-Annual Report?
Actual vs Estimated Accomplishments	Yes	No
Reasons for Slippage	Yes	No
Actual vs Estimated Expenditures	No	No
Information on Board Members	No	No
Cost of Client Tuition	Yes	No

Financial Information

SBA did not uncover discrepancies on a spreadsheet submitted to SBA. On December 8, 2000, OWBO sent a letter requesting answers to questions about the survival of the VWBC after the closure of the college. OWBO specifically requested a spreadsheet of actual receipts and expenditures for year 1 of the award. The response included a spreadsheet with that information. The spreadsheet showed the center expended [FOIA EX 4] of cash match in year 1. An SF 269 and SF 270 previously submitted to SBA, however, showed that the center only expended [FOIA EX 4] of cash match in year 1. SBA did not compare the requested spreadsheet with financial reports previously submitted and therefore, did not uncover the discrepancy.

Cash Match Certification

There was no documentation in SBA's files indicating that SBA followed up during the first project year to request that a required cash match certification be submitted. The required certification was not located in SBA or VWBC files. The Notice of Award requires that a certification stating that the matching share exists and is to be applied to the project cost be submitted as soon as possible after the receipt of the Notice of Award.

Conclusion

As a result of the five deficiencies described above, SBA approved unsupported payment requests of [FOIA EX 4], was unable to monitor and assess the VWBC's performance, was not aware that the recipient submitted inconsistent and misleading information, and was not assured that the recipient would provide the amount of cash match needed to draw down the authorized

amount of federal funds. If SBA had followed their guidelines in reviewing financial reports, it may have determined within the first year of the award that the VWBC was not financially stable and, as a result, may have discontinued federal funding of the award. This may have resulted in a more effective use of funds.

Recommendations:

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

- 3A. Payment requests are reviewed to ensure adequate match is reported. If adequate match is not reported for the 1st, 2nd or 3rd quarter requests, documentation should be obtained from the recipient that forecasts how the match will be met in the future. If adequate match is not reported for the final payment request, the request should not be recommended for payment.
- 3B. All financial reports (including SF 269s, SF 270s, SBA Form 2069s, and any other requested reports) submitted for the same period are compared to ensure that reported information reconciles.
- 3C. Supporting documentation for financial reports is reviewed, and as necessary re-calculated.
- 3D. WBCs are informed of inadequacies in financial reports and correction and resubmission of all inaccurate reports is required.
- 3E. Performance reports are properly reviewed to ensure they are complete and to determine if WBCs are meeting their milestones. Recipients should be informed of performance report deficiencies and appropriate action should be taken to withhold payments if reports are not resubmitted.
- 3F. Submission of required cash match certifications is enforced. If a required certification is not submitted, final payment should be withheld from the WBC.

We recommend that the Assistant Administrator for Administration ensure:

- 3G. Only complete payment requests are approved for payment.

SBA Management’s Response:

OWBO agreed with recommendations 3A, 3B, 3C, 3D, 3E, and 3F. In response to recommendation 3A, OWBO stated that the recommendation has already been implemented and the District Office Technical Representatives (DOTR) and OPGM are working collaboratively to ensure that the WBCs’ payment requests show adequate match. Additionally, the notice of award has been updated to inform recipients that they must (1) show an adequate expenditure of match on payment requests, or (2) provide satisfactory documentation within a reasonable time

frame that forecasts how and when the match will be met. If adequate documentation is not provided, payments may be withheld. In response to recommendation 3B, OWBO stated that quarterly financial status reports (SF 269s) will be compared against previous submissions to ensure that reported information reconciles with other financial documents. In response to recommendation 3C, OWBO stated that the DOTRs have the freedom to check supporting documentation at any time, particularly during quarterly site visits. During the fourth quarter site visits, DOTRs must review accounting records. In response to recommendation 3D, OWBO stated that WBCs are contacted and requested to correct and resubmit financial reports when problems are detected. In response to recommendation 3E, OWBO stated that the monitoring guide for WBCs requires OWBO to read and respond to performance reports. OWBO further stated they would update the monitoring guide for WBCs to require OWBO to inform WBCs of performance report deficiencies. The notice of award will also be updated to state that payments will be withheld if performance reports are deficient and corrected reports are not submitted. In response to recommendation 3F, OWBO stated that the notice of award will be updated to state that final payment will not be made unless the recipient has adequately certified that the required match has been expended on project activities.

The Office of Administration indicated agreement with recommendation 3G and stated it will ensure payment requests are complete before payment is approved.

Evaluation of SBA Management's Response:

OWBO's stated and proposed actions are fully responsive to recommendations 3D, 3E, and 3F and partially responsive to recommendations 3A, 3B, and 3C. For recommendation 3A, the language in the updated notice of award appropriately describes the actions that will be taken if adequate match is not reported on 1st, 2nd and 3rd quarter payment requests. However, the language in the notice of award implies that WBCs may also submit documentation for final payment requests that forecasts how match will be met. In contrast, the monitoring guide for WBCs specifically states that the last payment request of the project period is approved only after full match has been applied. Accordingly, OWBO should ensure that final payment requests are not approved for payment unless full match is reported. OWBO's response to recommendation 3B states that quarterly financial status reports (SF 269s) will be compared against previous submissions. The recommendation, however, is that all financial reports submitted for the same period (including SF 269s, SF 270s, SBA Form 2069s, and any other requested reports) be compared to ensure that reported information reconciles. Recommendation 3B was revised to clarify the financial reports that should be compared. For recommendation 3C, OWBO's response addresses the review of supporting documentation during site visits. The recommendation, however, addresses the review of supporting documentation submitted to SBA with financial reports. OWBO should review (and recalculate as necessary), supporting documentation submitted with financial reports, such as salary spreadsheets.

The Office of Administration's proposed action is fully responsive to recommendation 3G.

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 30 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-[FOIA EX. 2].

Attachments



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

MEMORANDUM

Date: MAR 5 2002

To: Robert G. Seabrooks
Assistant Inspector General for Auditing

From: FOIA Ex. 6
Cory Whitehead
Assistant Administrator for Administration

Subject: Response to OIG Recommendations based on the Audit of SBA's Evaluation and Monitoring of the Vermont Women's Business Center

The Office of Administration hereby submits its response to the Office of the Inspector General's draft Advisory Memorandum Report dated January 14, 2002.

OIG Recommendations 1A, 1B, and 3G

OIG recommends that the Assistant Administrator for Administration ensure:

- 1A. Financial evaluations, financial and management systems reviews, cost analyses/budget reviews, and comprehensive cost analyses of WBC's are conducted and documented in accordance with SOP 00 11.
- 1B. Budgets are negotiated prior to award of cooperative agreements when deficiencies are identified during the required reviews.
- 3G. Only complete and accurate payment requests are approved for payment.

1A and 1B Response. We performed the reviews required by the cooperative agreement. The cooperative agreement file contains an informal form titled "Memorandum of Negotiation and Cost/Price Analysis," which provides for adequate information about the financial review, a copy of which is attached. This form is signed by the Grants Management Specialist to certify that a competent budget analysis was accomplished. The applicant provided all of the budgetary information required by Program Announcement No. OWBO-99-012 and negotiation was not required. The Office of Procurement and Grants Management performed a normal budget review. A more formal cost analysis review is sometimes required when a negotiation team is established and there are complex questions and issues to be resolved during negotiations. The Vermont Women's Business Center did not warrant a formal cost analysis. We are currently in the process of reviewing our regulations and determining whether the revised requirements of the SOP are necessary. If the sections are determined to be necessary, we will implement the auditor's recommendations.

3G Response. We will ensure that requests are complete before payment is approved.

Attachment

PROJECT TITLE AND DESCRIPTION:

Check One:

7(j) Management & Technical Assistance for Disadvantaged Persons. (For specifics, see Management and Technical Assistance Program Announcement No.)

OMB Financial Counseling and Other Management and Technical Assistance. (For specifics, see Program Announcement No. OWBO-99-012)

Tree Planting (For specifics, see Program Announcement No. PA-91-001-01)

Other Program Assistance

APPLICANT:

PROPOSED AWARD NO.: SBAHQ-99-W-0035-

Trinity College of Vermont
208 Colchester Avenue
Burlington VT 05401

AMOUNT:

\$ 150,000.00

PROJECT PERIOD: 7-1-99 - 6-30-00

BUDGET PERIOD: 7-1-99 - 6-30-00

RECIPIENT PROJECT DIRECTOR:

Bruce Bergland

SBA TECHNICAL REPRESENTATIVE:

Sally Murrell

PURPOSE: Assure prices are fair and reasonable, allowable and allocable and within the confinement of all regulations, procedures, and policy pertaining to SBA Federal Assistance Awards.

1. GENERAL BACKGROUND DATA APPLICABLE TO AWARDS:

_____ received the highest total evaluated score for geographical area of _____, with a score of _____ at \$ _____ to \$ _____, which is based on historical data. The total number of task days for this area was _____.

2. SUMMARY OF ANALYSIS:

Negotiations required? YES / NO . If YES, complete the following. If NO, go to (3.) below.

After a detailed business review of the application, the below signed Grants Management Specialist negotiated the business and financial aspects of this award with _____ who represented the applicant. These negotiations were conducted by telephone on _____ and subsequent dates. At the conclusion of negotiations the applicant's budget was revised and data was provided to more fully support the funds requested. During discussions and analysis, the uniform requirements of the applicable OMB Circulars were used as the basis of determining reasonableness and allocability of individual cost items.

3. SPECIFIC COMMENTS AND NOTES:

See application for detailed line item breakdown.

OPTION # _____ YEAR FY-94

	PROPOSED FEDERAL	PROPOSED NON-FED	PROPOSED INKIND	PROPOSED PRO/INCOME	ACCEPTED FEDERAL	ACCEPTED NON-FED	ACCEPTED INKIND	ACCEPTED PRO/INCOME
A. PERSONAL SERVICES								
B. FRINGE BENEFITS								
C. TRAVEL								
D. CONSULTANTS								
E. EQUIPMENT								
F. SUPPLIES								
G. CONTRACTUAL								
H. OTHER								
I. INDIRECT COST %								
J. FEE %								

FOIA Ex. 4

THE ABOVE (NEGOTIATED) (UNNEGOTIATED) COSTS WERE FOUND TO BE FAIR AND REASONABLE.

4. RECOMMENDATIONS:

In view of the foregoing amount of \$ 225,000.00 is considered fair and reasonable as well as adequate for the work proposed. Accordingly, it is recommended that a Federal Assistance award be issued to Vermont in the amount of \$ 150,000.00 of Federal dollars. Trinity College of

FOIA Ex. 6
8999



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

MEMORANDUM

DATE: January 31, 2002

TO: Robert G. Seabrooks
Assistant Inspector General for Auditing

FROM: Wilma Goldstein *EX, CG*
Assistant Administrator, Office of Women's Business Ownership

SUBJ: Response the OIG Recommendations based on their Audit
Of SBA's evaluation and Monitoring of the Vermont Women's
Business Center.

This is the Office of Women's Business Ownership's response to the recommendations in Office of Inspector General's draft audit report on "SBA's Evaluation and Monitoring of the Vermont Women's Business Center," dated January 14, 2002.

OIG Recommendation 2A: The evaluation criteria should be restructured to place greater importance on the organizational qualifications; especially, the roles and experiences of prospective recipients.

Response: OWBO agrees with this recommendation. The new program announcement, OWBO-2002-017 will reflect this change. The related criterion is now "Applicant Experience and Internal Organizational Structure." The assigned numerical weight to this criterion is 30/100. See Attachment 1.

OIG Recommendation 2B: Recipients of awards that score below average in the area of organizational qualifications are closely monitored during the first project year to ensure they have the ability to manage the projects.

Response: OWBO agrees with this recommendation. The Notices of Awards for selected WBCs that score low on organizational qualifications will include special terms and conditions that the WBC must meet to cure problem areas. The Notice of Award will specifically state how and when the SBA District Office and OWBO will review outcomes to determine if funding will continue.

OIG Recommendation 3A: Payment requests are reviewed to ensure adequate match is reported. If adequate match is not reported for the 1st, 2nd or 3rd quarter requests, documentation should be obtained from the recipient that forecasts how the match will be met in the future. If adequate match is not reported for the final payment request, the request should not be recommended for payment.

Response: OWBO agrees with this recommendation. The recommendation is already being enforced. The District Office Technical Representative (DOTR) and OPGM work collaboratively to ensure that the WBC's pay request form shows that adequate match has been applied to the project at the time payment is requested. The WBC submits the pay request directly to the DOTR who reviews for accuracy and determines that adequate match has been applied. The DOTR submits the pay request directly to OPGM with recommendation to pay.

The Notice of Award boilerplate now states that:

“... the recipient must show on the pay request (SF 270 and SBA Form 2069) how it is meeting the match requirement. If the recipient cannot show expenditure of match, the recipient must submit documentation that forecasts how and when the match will be met. If the recipient does not provide the Grants Specialist satisfactory documentation within a reasonable time frame as deemed by the Grants Specialist, the agency may temporarily withhold payments pending receipt of such documentation. In addition, where the recipient fails to provide such documentation, it [the award] may be subject to termination, suspension or non-renewal....”

OWBO has notified each WBC of the acceptable types of written certification to submit to SBA as proof that match has been obtained. The same notification informs the WBC that final payment will not be allowed unless the recipient has adequately certified that the required match has been applied to the project. See Attachment #2. The WBC Notice of Award boilerplate for future awards will be updated to include this requirement.

OIG Recommendation 3B: All financial reports submitted for the same period are compared to ensure that reported information reconciles.

Response: OWBO concurs with this recommendation. The Notice of Award requires the WBC recipient to simultaneously submit the quarterly financial status report to OPGM, the DOTR and the OWBO portfolio manager. Each agency official will compare the documents against previous submissions. This check and balance review now ensures that the WBC's reported information reconciles with its other financial documents.

OIG Recommendation 3C: Supporting documentation for a financial report is reviewed and as necessary recalculated.

Response: OWBO concurs with this recommendation. The DOTR has the freedom to check support documentation at any time, particularly during each quarterly site visit. During the 4th quarter site visit, the DOTR must review the accounting records while conducting the Annual Programmatic and Financial Examination of the Women's Business Center. As errors are found, SBA will require the WBC to recalculate figures, make corrections and submit revised financial reports as necessary.

OIG Recommendation 3D: WBCs are informed of inadequacies in financial reports and correction and resubmission of all inaccurate reports are required.

Response: OWBO concurs with this recommendation. When OPGM, the DOTR or OWBO detects a problem, the WBC is contacted to make corrections and is requested to resubmit the financial report.

OIG Recommendation 3E: Performance reports are properly reviewed to ensure they are complete and to determine if WBCs are meeting their milestones. Recipients should be informed of performance report deficiencies and appropriate action should be taken to withhold payments if reports are not resubmitted.

Response: OWBO concurs with this recommendation. The Notice of Award document requires the WBC to simultaneously submit quarterly performance reports to the DOTR, OWBO Portfolio Manager and OPGM. The WBC Monitoring Guide states that the OWBO Portfolio Manager is responsible for reading and responding to the report, and for reading and responding to the DOTR's site visit report. OWBO will update the FY 2002 WBC Monitoring Guide to state that OWBO will inform the WBC of performance report deficiencies. Also, the Notice of Award document will be updated to state that payments will be withheld if the WBC performance report is deficient or if a deficient report is not resubmitted with corrections.

OIG Recommendation 3F: Submission of required cash match certifications is enforced. If a required certification is not submitted, final payment should be withheld from the WBC.

Response: OWBO concurs with this recommendation. The Notice of Award will be updated to state that Final payment will not be allowed to the recipient unless the recipient has adequately certified that the required match has been expended on project activities.

Attachment 1

Draft Program Announcement OWBO 2002-017 (Excerpt)

1. Applicant Experience and Internal Organizational Structure. (30 Points)
 - a. The applicant must demonstrate through documentation or otherwise that it plans to operate the WBC project as a distinct unit of the recipient's organization;
 - b. The applicant must demonstrate that it has or will have the necessary staff, training and technical materials, computer equipment and facilities to provide the services and activities of a Women's Business Center Site under the scope of this Program Announcement.
 - c. The applicant must provide documentation and a description of the organization's past experience and ongoing efforts in providing training, counseling and technical assistance to women business owners or potential owners in the target geographic area. The services must be of the same or similar kind as described in the proposed effort and must be related to the organization's central mission and its other activities. The applicant must demonstrate expertise in long-term and short-term training and counseling programs.
 - d. Applicants must state how and by whom staff will be hired, employed and administered. The applicant must identify the key management, staff and contractors/consultants. For each of these, describe their function, expertise and experience, including expertise in conducting business development programs for women business owners. To demonstrate the capacity and roles of personnel the application must include:
 - 1) Resumes and position descriptions for the project director and other key staff;
 - 2) Entrepreneurial experience/professional background of staff, volunteers and contractors/consultants;
 - 3) An organizational chart for all proposed full-time and part-time project staff and the amount of time each will devote to the project. A full time project director is required. Federal funds cannot be

used to pay for fundraising efforts. (See description of WBC Project Director in the Glossary of Terms).

- 4) A description of the role of contractors and outside consultants, who may provide no more than 49 percent of project services;
- 5) A description of at least one staff or consultant function to handle ongoing program data collection and electronic reporting to SBA (include the time to be devoted to this task as well as the staff member's expertise with computers, and the OWBC).
- 6) A description of who will be responsible for financial record keeping on the receipt and expenditure of program funds.
- 7) A list of Board members and their fundraising experience. (A Board of Directors must govern the administrative aspects of the project.)

e. Applicant must demonstrate that at least 51 percent of counseling, technical assistance and training will be conducted by recipient's staff.

f. The applicant must demonstrate its ability to begin providing technical assistance activities no later than 60 days after notification of award. Within the same period, the center must have e-mail capability and access to the Internet.

Attachment 2

**Women's Business Center Program
Match Requirement**

1. Annual Match. In project years one through five, recipient must provide match equal to one non-Federal dollar for each Federal dollar.
2. In-kind Match. Up to one-half of the non-Federal matching assistance may be in the form of in-kind contributions for budget line items only, including but not limited to office equipment and office space.
3. Non-Federal Match. Matching contributions may come from all non-Federal sources such as state and local public funds and private individuals, corporations and foundations, and program income from program services. When permissible under the terms of the Community Development Block Grant (CDBG) program, CDBG funds may also be used as match.
4. Advance payment. The SBA may advance up to 25 percent of each year's Federal share awarded to a recipient organization after notice of the award has been issued and before the non-Federal matching funds are obtained. On the subsequent requests for payment, the recipient must indicate that the non-Federal match for the previous advanced payment has been obtained and expended on project activities.
5. Match Certification. A written certification that the matching share exists (and has or will be applied to the project cost) is to be submitted as soon as possible after receipt of Award Notice. The recipient must maintain records of all cash and inkind donations and program income. Records will be reviewed during the DOTR's quarterly site visits and annual programmatic and financial examination.

The Notice of Award requires the recipient to submit certifications of match as soon as possible after receipt of the award. Certifications may be submitted with the quarterly financial status reports. The recipient must keep in mind that final payment will not be allowed unless the recipient has adequately certified that the required match has been expended on project activities.

The following are acceptable types of written certification that the Recipient must submit to SBA as proof that match has been obtained.

Attachment 2, cont'd

a. Cash Contributions

1. A copy of the document from each non-Federal source indicating the amount to be used for the WBC project (promissory notes are not acceptable).
2. If a check is given, a copy of the check. The check will indicate the source (contributor) and amount, and that it's paid to the WBC organization.
3. If money is donated, a copy of accompanying letter or a copy of the recipient's acknowledgement or thank you letter to the donor.

b. Program Income

The recipient submits the estimate of program income and specifies how the income was obtained (in terms of type of activity and amount of income earned for each activity).

c. Inkind Contributions

Collaborative efforts with community-based organizations and SBA resource partners must be delineated under a written partnership agreement. The recipient submits copy of the agreement from person or organization that donated services, equipment, space and other items. The agreement must state the name and value of the contribution(s).

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