



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

MEMORANDUM AUDIT REPORT

Issue Date: July 28, 1999

Report Number: 9-12

TO: Thomas A. Dumaresq, Assistant Administrator for Administration

FROM: John E. Dye, Acting Assistant Inspector General for Auditing

SUBJECT: Audit of Cooperative Agreement No. SBA-HQ-96-W-0014 awarded to the North Texas Women's Business Development Center

We completed a closeout audit of the SBA cooperative agreement awarded to the North Texas Women's Business Development Center located in Dallas, Texas. The award partially funded internet training and assistance provided to Center clients and support given to the On-line Women's Business Center for the one-year period ending on September 9, 1997. Under the terms of the cooperative agreement, the Center was required to match Federal funding dollar for dollar. The Center had received \$29,000 in Federal funding and reported an equal amount of matching funds at the end of the one-year period. The Center was also awarded two other SBA cooperative agreements that were audited concurrently and will be reported on separately.

OBJECTIVE AND SCOPE

The audit objective was to determine whether claimed costs were allowable, allocable, and reasonable. Judgmental samples, with emphasis on large dollar amounts, were used to test costs allocated to the cooperative agreement. We reviewed the cooperative agreement, program regulations, accounting records, and cost documentation. We also interviewed North Texas Women's Business Development Center board members and SBA officials. Fieldwork was conducted from February through March 1999. The audit was performed in accordance with Government Auditing Standards.

RESULTS OF AUDIT

We identified \$16,799 of claimed costs that were unallowable in accordance with the cooperative agreement and OMB Circular A-122, "Cost Principles for Non-Profit

Organizations.” There were also unexpended funds totaling \$2,650. In addition, the Center did not conduct the required amount of training sessions.

FINDING 1 Unallowable Costs and Unexpended Federal Funds

The Center claimed costs totaling \$16,799 that were unallowable. The Center could not provide adequate support for expenditures totaling \$9,843 and it claimed costs totaling \$6,956 that were not allocable. In addition, the Center’s accounting system showed expenditures charged to Federal funds that were \$2,650 less than that reported to SBA. The cooperative agreement required the Center to maintain complete and accurate records, including supporting documentation. OMB Circular A-122 prohibited the Center from allocating any costs that did not benefit both the award and other work and that can not be distributed in reasonable proportion to the benefits received.

Unallowable Federal Costs and Unexpended Federal Funds

Type of Cost	Amount
Travel	\$956 ¹
Fringe Benefits	\$843 ²
Total Unallowable	\$1,799
Unexpended Federal Funds	\$2,650 ³
Total Unallowable and Unexpended Federal Funds	\$4,449

¹ The Center misallocated \$956 to the cooperative agreement for travel to Washington, DC during October 1997. The project ended September 9, 1997.

² The Center did not provide adequate support, such as payroll records and bank statements.

³ The Center received \$29,000 in Federal funding, however, its accounting system only showed \$26,350 in Federal expenditures.

Unallowable Matching Costs

Type of Cost	Cash Match	In-kind Match	Total Match
Equipment	\$10,000 ⁴		
Contractual		\$5,000 ⁵	
Total Unallowable costs	\$10,000	\$5,000	\$15,000

⁴ A \$6,000 laptop computer was purchased on September 30, 1997, after the project period had expired. In addition, the Center did not provide any supporting documentation, such as a cancelled check and invoice, for \$4,000.

⁵ The Center did not provide any supporting documentation.

Required Reimbursement

Because \$4,449 in unallowable Federal costs and unexpended Federal Funds will decrease Federal funding provided to the Center, the Center's matching requirement will also be reduced by the same amount. Consequently, the Center only needs to reimburse SBA for \$10,551 of the unallowable costs that were claimed as match. In total, the Center should reimburse SBA \$15,000 as shown in the following table.

Calculation of Required Reimbursement

Federal Funds Received		\$29,000	
Federal Costs Allowed		<u>\$24,551</u>	
Reimbursement For Unallowable Federal Costs & Unexpended Federal Funds			\$4,449
Matching Funds Required		\$24,551	
Matching Funds Claimed	\$29,000		
Unallowable Match	<u>\$15,000</u>		
Matching Funds Allowed		<u>\$14,000</u>	
Reimbursement For Match			
Shortage			<u>\$10,551</u>
Total Required Reimbursement			<u>\$15,000</u>

Recommendation

- 1A We recommend that the Assistant Administrator for Administration notify the Center's board of directors to reimburse SBA \$15,000 for unallowable costs and unexpended Federal funds.

Auditee Comments

The Center provided written rationale and additional supporting documentation that it considered was sufficient to substantiate the costs in question. The Center's comments, less enclosures, are included as Attachment 1 and summarized below.

¹ The end of the grant period was extended to September 30, 1997, SBA requested the travel, and the travel was planned prior to that date.

² The fact that the accounting records show multiple entries for the same amounts (or equivalent amounts combined) support the costs for employee benefits and payroll taxes.

³ An additional in-kind expense of \$1,882 can be added to the non-Federal accounting entries to reduce monies that might be owed.

⁴ The \$6,000 computer was ordered within the grant period as shown on the attached quotation dated September 9, 1997. Donation of equipment valued at \$4,000 is supported by the attached documents from the vendor.

⁵ An in-kind donation of \$6,881 (only a portion was used as in-kind) was located and is attached as supporting documentation.

Evaluation of Auditee Comments

We continue to question the costs for the reasons explained below.

¹ In addition to the fact that the trip taken in October 1997 did not benefit the grant, we could find no evidence that SBA had approved an extension of the grant period.

² Although the entries appear several times in the accounting system and the amounts are all the same or equal equivalent amounts combined, the Center did not provide appropriate documentation such as payroll records and bank statements to substantiate the costs.

³ An in-kind donation is not a cash item and can not be charged to Federal funds or used as a reduction for monies owed. In addition, work performed by North Texas Small Business Development Center (NTSBDC) employees can not be claimed as match. The NTSBDC is a Federally financed program. OMB Circular A-122 states that for a cost to be allowable under an award, it can not be included as a cost or used to meet matching requirements of any other Federally-financed program.

⁴ Although the quote was obtained on September 9, 1997, the order date on the invoice indicated that the \$6,000 computer was actually ordered after the grant period on September 18, 1997. As a result, the grant did not derive any benefit from the computer as required by OMB Circular A-122. In regards to the equipment, the vendor's letter substantiates an in-kind donation, not the \$4,000 cash match entry in question. Although the Center did provide an invoice, a canceled check is necessary to validate the \$4,000 cash match entry.

⁵ The letter from the NTSBDC provided by the Center as evidence of in-kind match is insufficient support for two reasons. First, the letter does not describe what type of donated labor was provided to the Center. As a result, it cannot be determined if the hourly rate was reasonable. Second, NTSBDC employees performed the donated labor. As stated above, this cost can not be used to meet matching requirements.

SBA Management's Response and OIG Evaluation

The Assistant Administrator for Administration concurred with our recommendation that the Center reimburse SBA \$15,000 for the unallowable costs and unexpended Federal

funds cited in the report. His comments are included as Attachment 2 and are responsive to our recommendation.

FINDING 2 Training Session Goal Not Achieved

The Center conducted only 7 of the 10 training sessions required by the cooperative agreement to introduce clients to business uses of the Internet. As a result, one of the project goals was not achieved. Since the project has ended, no recommendation is necessary.

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 proposed management decision for the recommendation within 80 days on the SBA Form 1824, Recommendation Action Sheet. If you disagree with the recommendation, please provide your reasons in writing.

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 Victor R. Ruiz, Director, Business Development Programs Group at (202) 205-7204.

Attachments



Online Women's Business Center
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Dallas, Texas 75247
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10 June 1999

TO: U.S. Small Business Administration
Office of Inspector General Auditing Division
ATTN: [Ex. 6]]
409 3rd Street, SW
Washington, D. C. 20416

From: Online Women's Business Center

SUBJECT: Audit of Cooperative Agreement No. SBA-HQ-96-W-0014 awarded to the
North Texas Women's Business Development Center

The Women's Online Center, North Texas Women's Business Development Center, is pleased to provide an in-depth response to the subject draft audit findings. The Center is indebted to your office for the patience allowed in conducting research in order to find sufficient documentation to support the expenditure of funds under the grant. In the draft audit report, two findings are identified with recommendations. In finding 1, there are multiple subparts and in finding 2, only one area to address.

Each finding is restated at enclosure one with written rationale and supporting documentation provided when appropriate and available. Since the operation of the physical site closed operations in early 1998 and the personnel operating the site were no longer employed, some difficulty was experienced. However, the additional documentation and discussion should prove to be sufficient to adequately the answer each audit finding.

Should the response not be detailed to satisfy the draft audit report, please contact the undersigned for additional information. Again, thank you for the consideration shown our organization during the audit.

A handwritten signature in cursive script that reads "Kathy Durivage".

Kathy Durivage
Executive Director

KD:ls

Enclosure: as

FOIA EX. 6

FINDING: This finding identified potential unallowable claimed cost of \$19,587 split into \$9,981 with inadequate support and \$6,956 of cost considered not allocable to the grant. Each of the separate costs and or expenditures is addressed below with each of the items documented according to a corresponding tab.

1. A \$6,000 laptop computer projector was purchased on September 30, 1997, after the project period expired. The computer company, CCSII, was contacted to provide a record copy of the quotation to validate that the computer was ordered within the contract period. A copy of the invoice is attached as supporting documentation of the purchase and the fact that the purchase was made within the grant period. The quote is dated 9/9/97 and was provided the Center by the company that the computer projector was purchased.
2. The Center indicated an In-kind donation from IBM for \$4,000 dated 3/93. The finding indicated that there was not supporting documentation for the in-kind contribution used to match federal dollars. The attached documents from IBM were located and clearly document a donation of equipment including and IBM 486DX2 with laser printer and an IBM Think Pad 9545. This documentation should be sufficient to cover the IBM in-kind contribution.
3. An in-kind contribution of \$138.00 needs documentation from the Women's Council. Ms. Debbie Hurst, Women's Council Director, was contacted and she provided a letter of in-kind contribution. The letter is attached as supporting documentation.
4. There is a \$5,000 in-kind donation without sufficient documentation. In our search of the files, an in-kind donation totaling \$5,500 was located and is attached as supporting documentation. The letter actually lists \$6,881, which exceeds the amount taken since only a portion of the in-kind contribution was actually taken against the grant.
5. A check reference dated 5/23/97 for \$273.07 is listed as inadequate support. In reviewing the expenditures from the ledger. The check entry into the automated Quickbooks is actually not a check written by the Center. The previous center director was contacted and upon reviewing the Account entries, it became clearly obvious that the entry of \$273.07 was from the payroll account company for employee benefits. Prior and subsequent entries validate the fact and account for the payroll company, Paycheck, taking a deduction for employee benefits.
6. [FOIA Ex. 6] travel of \$956.00 was charged to the grant when the travel took place outside the indicated grant period dates. Two issues are present in this case. One, the travel was done at the request of Ms. Sherrye Henry prior to the contract end date so that [FOIA Ex. 6] would be present at the annual Women's Conference in Washington to make a presentation to other women center personnel. In addition, the previous center director stated that the contracting office, Ms. Rosa Carter, extended the grant period to 9/30/97 from the 9/9/97 date to coincide with the other grants fiscal year ending. Attached are the travel documents and other supporting documentation and the year end report for the grant indicating the grant ending period was in fact 9/30/97. In summary, the travel was requested by the SBA, planned prior to the end of the grant period and actually had

approval of the contracting officer to end the grant at the end of September 1997. While no direct documentation of the extension could be located, the year end report and funding documents attached are evidence to support the belief that the North Texas Women's Business Development Center believed that the verbal approval from Ms. Rosa Carter was sufficient to extend the report and grant to the end of September.

7. There are 941 tax deposits entries made to Nations Bank in the accounting system. There were six tax deposits made to Nations Bank between 10/97 and 12/97 each in the same amount of \$284.79. While you only questioned one of the entries, all entries must be addressed. All tax deposits for the federal government are made directly to the bank and then the IRS goes into the account and deducts the indebted amount for the IRS. The physical site procedures for payroll taxes was established in this manner before a payroll service was hired at a later date. The fact that they are all the same amounts and or equals equivalent amounts combined, are documentation of entry.
8. The grant accounting entry indicates expenditures of only \$26,349.74 of the total grant monies of \$29,000 which is \$2,650 less than the grant amount. In adjusting the accounting entries, an additional in-kind expenditure of \$1,881.80 can be added to the non-federal side and would allow an increase to the sites expense. This would allow a reduction to \$769.36 for monies owed should that be necessary.




Attachment 2

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

MEMORANDUM

Date: **JUL 26 1999**

To: **John E. Dye**
Acting Assistant Inspector General for
Auditing

Thru: **Thomas A. Dumaresq** 
Assistant Administrator for Administration

Subject: **Audit of Cooperative Agreement No. SBAHQ-96-W-0014**
(North Texas Women's Business Development Center)

This is in response to your memorandum dated June 23, 1999, in which you forwarded a draft report of your findings relative to the above-mentioned audit of the North Texas Women's Business Development Center.

We have reviewed the draft report and concur with your recommendation that the AA for Administration request the Center to reimburse the SBA in the amount of \$15,000 for unallowable costs and unexpended Federal funds relating to this Cooperative Agreement.


Sharon A. Gurley, Director
Office of Procurement and Grants Management

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