



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

AUDIT REPORT
Issue Date: September 15, 1999
Report Number: 9-22

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-95-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 the creation of a center to provide financial, management, and marketing assistance to businesses owned and controlled by women. Under the terms of the cooperative agreement, the Center received a total of \$321,560 in Federal funding during the three project years. The Center was required to match Federal funding 50 percent for the first year, 100 percent for the second year, and 200 percent for the third year. The Center's first project year started on June 15, 1995. At the Center's request, the agreement was terminated for the government's convenience, effective February 16, 1998 prior to the end of the third project year. 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 from 1995 through 1998. We reviewed the cooperative agreement, program regulations, accounting records, and cost documentation. We also interviewed a North Texas Women's Business Development Center board member and SBA officials. Fieldwork was conducted from February through April 1999. The audit was performed in accordance with Government Auditing Standards.

RESULTS OF AUDIT

We identified \$167,448 of claimed costs that were unallowable in accordance with the cooperative agreement; OMB Circular A-110 “Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”; and OMB Circular A-122 “Cost Principles for Non-Profit Organizations.” There were also unexpended Federal funds totaling \$60,007 for the first two project years. We found that SBA made an erroneous claim of ownership over equipment. In addition, there were apparent conflicts of interest with not only board members of the Center, but also with companies owned by the board members.

FINDING 1 Unallowable Costs and Unexpended Federal Funds

Although the Center’s accounting system showed expenses totaling \$582,066 for all three project years, \$167,448 of these expenses were unallowable as summarized in the chart below. Of this amount, \$142,779 was unsupported; \$16,482 was unallocable; and \$8,187 was unreasonable. The total recommended reimbursement of \$125,280 is less than the total unallowable costs of \$167,448 because reimbursement is only necessary for the amount of match shortage, and the unallowable and unexpended Federal funds. The cooperative agreement required the Center to maintain complete and accurate records, including supporting documentation. Costs were considered unsupported when supporting documentation provided to the auditors was either inadequate or missing. OMB Circular A-122 requires costs to be reasonable and allocable to the award. In addition, there were unexpended Federal funds totaling \$60,007 for years 1 and 2. The Center also did not meet the cash match requirement for year 1 and the overall match requirement for years 2 and 3.

Unsupported	\$142,779
Unallocable	\$16,482
Unreasonable	\$8,187
Total Unallowable	\$167,448
Unexpended Federal Funds	\$60,007
Total Unallowable and Unexpended Federal Funds	\$227,455

Project Year 1

We found \$36,695 in unallowable costs out of \$206,225 recorded for the first project year. Of this amount, \$28,641 was unsupported; and \$8,054 was unreasonable. In addition, there was a \$30,887 difference (unexpended Federal funds) between the amount of Federal funds received and that posted in the Center’s

accounting system. As a result, we questioned \$67,582 that is comprised of \$48,637 of Federal and \$18,945 of match (cash and in-kind) as shown in *Tables 1 and 2*, located in Attachment 1.

The Center entered into two consulting agreements directly with board members that were unreasonable in nature. The agreements, which totaled \$8,000, stated that the board members were to build consortium working relationships, beyond their role as board members; encourage corporate participation in programs sponsored by the Center; and increase the public awareness of the Center's services. OMB Circular A-122 states that in determining the reasonableness of a cost, consideration shall be given to the restraints or requirements imposed by such factors as arms length bargaining. These agreements were not arms length. The Center also received cash and in-kind match from the corporate sponsors and consortium parties made reference to indirectly in the agreements. OMB Circular A-122 states that, costs of organized fundraising and similar expenses incurred solely to raise capital or obtain contributions, are unallowable.

The Center also purchased flowers that totaled \$54, which was an unreasonable cost. The flowers were for an employee who was in the hospital. OMB Circular A-122 states that in determining the reasonableness of a cost, consideration shall be given to whether the cost is of a type generally recognized as ordinary and necessary for the performance of the award.

There also was a \$30,887 difference between the amount of Federal funds received and the amount posted to the Center's accounting system. The Center received \$150,000 in Federal funds during project year 1, but its accounting system showed \$119,113 of Federal expenditures. The cooperative agreement requires that costs may be charged to the agreement only if incurred during the budget period of June 15, 1995, through September 30, 1996.

Required Reimbursement For Project Year 1

Because \$48,637 in unallowable Federal costs and unexpended Federal funds will decrease the Federal funds provided to the Center, its cash match requirement will also be reduced. The Center was required to match 50 percent of the Federal funds received, of which, at least 50 percent must be in cash. Although the overall match requirement was met, the Center was undermatched in cash by \$1,988. Consequently, the Center only needs to reimburse SBA for \$1,988 of the unallowable cash match that was shown in the Center's accounting system. In total, the Center should reimburse SBA \$50,625 as shown in the following table.

Calculation of Required Reimbursement

Federal Funds Received	\$150,000	
Federal Costs Allowed	<u>\$101,363</u>	
Reimbursement For Unallowable Federal Costs & Unexpended Federal Funds		\$48,637
Total Match Required (50% of \$101,363)	\$50,681	
Cash Match Required (50% of \$50,681)	\$25,340	
Cash Match Posted In Acctg. System	\$49,612	
Unallowable Cash Match	<u>\$26,260</u>	
Cash Match Allowed	<u>\$23,352</u>	
Reimbursement For Cash Match Shortage		<u>\$1,988</u>
Total Required Reimbursement		<u>\$50,625</u>

Project Year 2

We found \$99,645 in unallowable costs out of \$301,650 recorded for the second project year. Of this amount, \$99,544 was unsupported; and \$101 was unreasonable. In addition, there was a \$29,120 difference (unexpended Federal funds) between the amount of Federal funds received and that posted to the Center's accounting system. As a result of the foregoing, we questioned \$128,766 that is comprised of \$33,676 of Federal and \$95,090 of match (cash and in-kind) as shown in *Tables 3 and 4*, located in Attachment 2.

The Center purchased food for Center board meetings that totaled \$101, which was an unreasonable cost. OMB Circular A-122 states that in determining the reasonableness of a cost, consideration shall be given to whether the cost is of a type generally recognized as ordinary and necessary for the performance of the award.

There also was a \$29,120 difference between the amount of Federal funds received and the amount posted to the Center's accounting system. The Center received \$150,000 in Federal funds during project year 2, but its accounting system showed \$120,880 of Federal expenditures. The cooperative agreement requires that costs may be charged to the agreement only if incurred during the budget period of June 15, 1996, through September 30, 1997.

Required Reimbursement For Project Year 2

Because \$33,676 in unallowable Federal costs and unexpended Federal funds will decrease the Federal funds provided to the Center, its matching requirement will also be reduced. The Center was required to match 100 percent of the Federal funds received, of which, at least 50 percent must be in cash. Although the Center met the cash match requirement, the Center was undermatched overall by \$30,644. Consequently, the Center only needs to reimburse SBA for \$30,644 of the unallowable

costs that were shown in the Center's accounting system as match. In total, the Center should reimburse SBA \$64,320 as shown in the following table.

Calculation of Required Reimbursement

Federal Funds Received		\$150,000	
Federal Costs Allowed		<u>\$116,324</u>	
Reimbursement For Unallowable Federal Costs & Unexpended Federal Funds			\$33,676
Total Match Required		\$116,324	
Total Match Posted In Acctg. System	\$180,770		
Total Unallowable Match	<u>\$95,090</u>		
Total Match Allowed		<u>\$85,680</u>	
Reimbursement For Total Match Shortage			<u>\$30,644</u>
Total Required Reimbursement			<u>\$64,320</u>

Project Year 3

We found \$31,108 in unallowable costs out of \$74,191 recorded for the third project year. Of this amount, \$16,482 was unallocable; \$14,594 was unsupported; and \$32 was unreasonable. As a result, we questioned \$31,108 that is comprised of \$4,851 of Federal and \$26,257 of match (cash and in-kind) as shown in *Tables 5 and 6*, located in Attachment 3.

The Center's accounting system contained a \$16,482 cash match entry that was not allocable as cash match to the grant. The entry was for donated office space and was an annualized figure. The \$16,482 in cash match was not allocable to the award for two reasons. First, the donated space should have been entered as in-kind and not cash match. OMB Circular A-110 defines cash contributions as the recipient's cash outlay, including the outlay of money contributed to the recipient by third parties. In this case, the Center did not make a cash outlay, nor did it receive \$16,482 from the Small Business Development Center who donated the space. Second, the Center should have prorated the amount and entered \$6,186, instead of \$16,482, because project year 3 ended on February 16, 1998. OMB Circular A-122 states that a cost is allocable to the award if it benefits both the award and other work and can be distributed in reasonable proportion to the benefits received. The project did not receive an entire year's benefits from the donated space. As a result, we questioned \$16,482 of the cash match, but we applied \$6,277 as an offset against in-kind match questioned.

The Center also purchased flowers that totaled \$32, which was an unreasonable cost. The flowers were for a North Texas Women's Business Development Center board member who was in the hospital. OMB Circular A-122 states that in determining the reasonableness of a cost, consideration shall be given to whether the cost is of a type generally recognized as ordinary and necessary for the performance of the award.

Required Reimbursement For Project Year 3

Because \$4,851 in unallowable Federal costs will decrease the Federal funds provided to the Center, its matching requirement will also be reduced. The Center was required to match 200 percent of the Federal funds received, of which, at least 50 percent must be in cash. Although the Center met the cash match requirement, the Center was undermatched overall by \$5,484. Consequently, the Center only needs to reimburse SBA for \$5,484 of the unallowable costs that were shown in the Center's accounting system as match. In total, the Center should reimburse SBA \$10,335 as shown in the following table.

Calculation of Required Reimbursement

Federal Funds Received		\$21,560	
Federal Costs Allowed		<u>\$16,709</u>	
Reimbursement For Unallowable Federal Costs			\$4,851
Total Match Required		\$33,418	
Total Match Posted In Acctg. System	\$54,191		
Total Unallowable Match	<u>\$26,257</u>		
Total Match Allowed		<u>\$27,934</u>	
Reimbursement For Total Match Shortage			<u>\$5,484</u>
Total Required Reimbursement			<u>\$10,335</u>

Recommendations

We recommend that the Assistant Administrator for Administration notify the Center's board of directors to:

- 1A. Reimburse SBA \$50,625 for unallowable costs and unexpended Federal funds identified in project year 1.
- 1B. Reimburse SBA \$64,320 for unallowable costs and unexpended Federal funds identified in project year 2.
- 1C. Reimburse SBA \$10,335 for unallowable costs identified in project year 3.

Auditee Comments

The Center provided written rationale and additional supporting documentation that it considered was sufficient to substantiate a portion of the costs in question. The Center's comments, less enclosures, are included as Attachment 4.

Evaluation of Auditee Comments

After analyzing the additional documentation submitted by the Center, we reduced our questioned costs by \$34,659. Accordingly, we adjusted Attachments 1 through 3 to reflect this reduction. As a result, the amount of recommended reimbursement was also reduced to a total of \$125,280.

SBA Management's Response and OIG Evaluation

The Assistant Administrator for Administration concurred with our recommendations that the Center reimburse SBA a total of \$125,280 for the unallowable costs and unexpended Federal funds cited in the report. His comments are included as Attachment 5 and are responsive to our recommendations.

Other Matters

SBA Erroneous Claim of Ownership Over Equipment

At the request of SBA's Office of Procurement and Grants Management, we determined the appropriate disposition of computers and a server that were purchased by the Center and currently located at the Small Business Development Center. We found that SBA made an erroneous claim of ownership over equipment purchased by the Center.

The SBA Dallas District Office claimed that the computer equipment, which cost approximately \$40,000, was the property of the Federal government, and not the property of the Center. SBA directed the Center to leave the computer equipment and furniture at the office space that the Center previously shared with North Texas Small Business Development Center (NTSBDC). This directive was contrary to the desires of the Center's board of directors. SBA's actions were based on a Memorandum of Understanding (MOU) dated September 30, 1997, between the Center and the NTSBDC. The MOU stated that upon the dissolution of the Center, the NTSBDC will have first option to purchase the computer lab equipment and furniture at an agreed upon price.

We determined that the computer equipment and related furniture was purchased by the Center with matching funds. OMB Circular A-110, however, only addresses ownership and disposition of equipment purchased with Federal funds. Therefore, SBA's claim of ownership over the equipment is not supported by OMB regulations. As a result, SBA never had a share in the ownership of the computer equipment and therefore, did not have the right to issue directives regarding the

disposition of the equipment since the computer equipment was purchased with non-Federal funds.

Apparent Conflicts of Interest

The Center purchased office supplies, computer workstations, and airline tickets totaling \$9,876 from companies owned by North Texas Women's Business Development Center board members. OMB Circular A-110 states that all procurement transactions should be conducted in a manner that provides, to the maximum extent practical, open and free competition. The Circular also states that the recipient should be alert to organizational conflicts of interest that may restrict or eliminate competition. Although there was an organizational conflict of interest, we did not determine that the prices paid were unreasonable. Since the project has ended, no recommendation is necessary. The same type of finding was also included in our report of the On-line Women's Business Center.

* * *

The finding included in this report is the conclusion of the Auditing Division based upon the auditors' testing of the auditee's operations. **The finding and recommendations are subject to review and implementation of corrective action by your office following existing Agency procedures for audit follow-up and resolution.**

Please provide us your management decisions for the recommendations within 80 days. Record your management decision on the attached SBA Form 1824, "Recommendation Action Sheet" and show either your proposed corrective action and target date for completion, or an 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 Victor R. Ruiz, Director, Business Development Programs Group at (202) 205-7204.

Attachments

Year 1 Unallowable Federal Costs (Table 1)

Reason	Cost Category	Date Posted	Amount
Unexpended Fed. Funds	N/A	N/A	\$30,887.08
Inadequate Support	Contractual – Facilitators	9/30/96	\$3,500.00
Inadequate Support	Contractual – Facilitators	9/30/96	\$1,000.00
Unreasonable	Contractual – Other	9/30/96	\$4,000.00
Unreasonable	Contractual – Other	9/30/96	\$4,000.00
Inadequate Support	Other – Maintenance & Rental	9/30/96	\$1,800.00
Inadequate Support	Other – Software	9/30/96	\$1,715.00
Inadequate Support	Other – IRS	2/26/96	\$465.00
Unreasonable	Other – Flowers	9/30/96	\$54.13
Inadequate Support	Salary – Fringe	10/30/95	\$253.45
Inadequate Support	Supplies – General Office	9/30/96	\$201.20
Inadequate Support	Travel – In Region	9/20/95	\$402.35
Inadequate Support	Travel – Washington, DC	7/29/96	\$359.00
TOTAL			\$48,637.21

Year 1 Unallowable Matching Costs (Table 2)

Reason	Cost Category	Date Posted	Cash Match	In-kind Match	Total Match
Inadequate Support for \$1,670 out of \$6,731	Equipment – Purchases	8/1/95		\$1,670.00	
Inadequate Support	Equipment – Purchases	9/30/96	\$4,061.00		
Inadequate Support for Cash	Other – Administrative	6/30/96	\$4,485.00		
Inadequate Support for Cash	Other – Training Services	6/30/96	\$4,500.00		
Inadequate Support	Salary – Fringe	8/30/96	\$713.58		
Inadequate Support	Salary – Fringe	6/30/96	\$2,500.00		
Inadequate Support	Salary	6/30/96	\$10,000.00		
Reclassify to In-kind	Other – Administrative			\$(4,485.00)	
Reclassify to In-kind	Other – Training Services			\$(4,500.00)	
TOTAL			\$26,259.58	\$(7,315.00)	\$18,944.58

Year 2 Unallowable Federal Costs (Table 3)

Reason	Cost Category	Date Posted	Amount
Unexpended Fed. Funds	N/A	N/A	\$29,119.61
No Support	Salary – Fringe	3/19/97	\$657.31
No Support	Salary – Fringe	8/18/97	\$999.16
No Support	Supplies – General Office	10/1/96	\$2,570.00
No Support for \$329.49 out of \$1,356.05	Travel	9/30/97	\$329.49
TOTAL			\$33,675.57

Year 2 Unallowable Matching Costs (Table 4)

Reason	Cost Category	Date Posted	Cash Match	In-kind Match	Total Match
Unreasonable	Other – Administrative	4/10/97	\$13.28		
Unreasonable	Other – Administrative	5/15/97	\$69.90		
Unreasonable	Other – Administrative	7/10/97	\$18.26		
Inadequate Support	Other – Meeting Facilities	9/30/97	\$800.00		
No Support	Salary	10/1/96	\$1,140.48		
No Support	Salary	3/19/97	\$2,711.00		
No Support	Salary	4/18/97	\$1,342.50		
No Support	Salary	4/20/97	\$2,877.90		
No Support	Salary	5/9/97	\$1,780.00		
No Support	Salary	5/30/97	\$1,555.50		
No Support	Salary	6/17/97	\$7,573.28		
Inadequate Support	Salary	7/11/97	\$10,395.00		
No Support	Salary	9/30/97	\$2,296.00		
No Support	Salary	9/30/97	\$2,604.00		
No Support	Salary	9/30/97	\$5,595.00		
Inadequate Support	Contractual – Other	7/11/97		\$30,000.00	
Inadequate Support	Other – Postage	7/11/97		\$1,000.00	
Inadequate Support	Other – Printing	7/11/97		\$4,200.00	
No Support	Other – Training Services	2/18/97		\$475.00	
No Support	Other – Training Services	3/11/97		\$300.00	
No Support	Other – Training Services	3/13/97		\$300.00	
Inadequate Support	Other – Training Services	7/11/97		\$1,500.00	
Inadequate Support	Other – Training Services	7/11/97		\$1,050.00	
No Support	Other – Training Services	7/17/97		\$15,492.79	
TOTAL			\$40,772.10	\$54,317.79	\$95,089.89

Year 3 Unallowable Federal Costs (Table 5)

Reason	Cost Category	Date Posted	Amount
No Support	Salary – Fringe	10/24/97	\$252.51
No Support	Salary – Fringe	11/7/97	\$4,598.34
TOTAL			\$4,850.85

Year 3 Unallowable Matching Costs (Table 6)

Reason	Cost Category	Date Posted	Cash Match	In-kind Match	Total Match
Misclassified as Cash & Partially Unallocable	Other – Rent	12/1/97	\$16,482.00		
Unreasonable	Other – Flowers	12/18/97	\$32.48		
No Support	Salary – Fringe	1/2/98	\$2,572.93		
No Support	Salary	10/10/97	\$2,651.86		
Inadequate Support	Salary	12/1/97	\$375.00		
Inadequate Support	Salary	12/1/97	\$720.00		
Inadequate Support	Salary	12/1/97	\$498.00		
Inadequate & No Support	Salary	Various		\$7,320.00	
No Support	Contractual – Programs	9/30/97		\$1,881.80	
Offset to In-kind				\$(6,276.71)	
TOTAL			\$23,332.27	\$2,925.09	\$26,257.36



Online Women's Business Center
1420 West Mockingbird Lane, Suite 270
Dallas, Texas 75247
Phone: 214/678-9964 Fax: 214/678-9968
URL: www.onlinewbc.org
Email: virtual@onramp.net

30 July 29, 1999

Inspector General, SBA
ATTN: [FOIA EX. 6]
409 3rd Street, SW
Washington, DC 20416-4112

SUBJECT: Audit Reply To Cooperative Agreement #SBA-HG-95-W-0014

Dear [FOIA EX. 6]

1. The On-Line Women's Business Center is pleased to respond to the subject draft audit report. Thank you in advance for your consideration of our position in responding to this audit. As you are aware, this is the third federal audit responded to by this Center in the past six months. Responding to this audit proved to be most difficult due to the factors surrounding the separate entities. Generally, the auditee as an entity would exist and would be available to respond to compliance and other audit issues. However, in this instance, the non-profit agency personnel and board chair no longer remain to manage the response requirements of this audit. This fact, coupled with the fact that the On-Line Center was not the recipient of this subject award, make it extremely difficult to respond to audit issues with any level of confidence.
2. The attached audit response provides as complete documentation as possible based on our ability to locate documents from multiple sources. Those sources included the SBA field office in Fort Worth, the North Texas Small Business Development Center, old bank accounts, the centers paycheck office, and contacts with personnel that could be located to provide additional information for the audit reply. You must realize that locating and obtaining supporting documentation was almost impossible due to the lapse in time from contract close out and the actual audit. Many, many labor hours were expended researching and locating documentation to provide the most accurate picture of the accounting and compliance policies of the physical site. However, the Center was not able to adequately research and report on each and every draft finding. Therefore, the complete record may not ever be present for your review; in spite of our best efforts.

FOIA EX. 6

3. Attached please find the additional supporting documentation that was available to us to respond to the audit. The information is outlined by award year in the same manner in which the draft report is written. Then supporting documentation is arranged in the same order corresponding to the response. We feel that our research yielded only partial results since the staff and board of the physical center could not provide aid in this reply. A more timely audit would possibly have provided a more accurate accounting of expenditures and documentation of those expenditures. In addition, it appears that we are now about to lose our computer lab and equipment valued at about \$55,000 to \$60,000.
4. Again, thank you for your patience and understanding. Also, please contact our board chair or me should you have any questions regarding the information provided.

Sincerely,


Kathy J. Durvage
Executive Director

Enclosures

Year 1 Unallowable Federal Costs (Table 1)

Unexpended Federal Funds - \$30,887.08. A request has been made to the Contracting Officer at SBA to determine any contract modifications that extended the funding year for year 1. Due to the amount of time between the close of the contract and the audit, the contracting files are apparently incomplete. We lack institutional memory and there are no close out records available from the physical site. At this time, we are waiting on a response from the SBA contracting office.

Inadequate Support for \$4,000 for Facilitators. Enclosed for support of this expenditure is an invoice from NTWBC to teach 16 certification workshops at \$250.00 each from 1 May-30 September 1996. Check number 1231 is also included as supporting documentation of the expenditure.

Inadequate Support for \$3,500 for Facilitators. Enclosed is a copy of cancelled check #1232, payable to NAWBO, for program facilitation for one year. There is no further detail available.

Inadequate Support for \$1,000 for Facilitators. Enclosed is a copy of cancelled check #1233 payable to the Chamber of Commerce for program facilitation for a year. There is no further detail available.

Unreasonable Expense for a \$4,000 contract. There were two contracts; one for [FOIA Ex. 6] and one for [FOIA Ex. 6]. Each of these contracts is signed by Liz Klimbeck, Chairman of the Board of Directors for the NTWBDC at the time as well as Regional Director of the Dallas SBDC. These contracts were given to [FOIA Ex. 6] based on their history and experience as women business owners and their experience with building relationships between women business owners and corporations. These contracts were performed outside of their responsibilities as Board Members.

No Support for Other – Dues & Sub. Enclosed is a copy of cancelled check #14 payable to the Chamber of Commerce in the amount of \$2,450 and \$250 of which is the amount of the dues as detailed on the front of the check and on the enclosed invoice.

No Support for Other – Maintenance & Rental. Enclosed is a copy of an invoice from Xerox for the yearly rental and maintenance of a copier in the amount of \$1800. The invoice was paid with check #1224, which cannot be located. Enclosed is a copy of the check detail report printed from the accounting system identifying the missing check.

Inadequate Support for Other – Software. Enclosed is a copy of a cancelled check #1230 for \$5776 which includes the \$1715 in question. No other back up invoice could be located.

Inadequate Support for Other – Training Material. Enclosed is a copy of cancelled check #1228 for \$882. An invoice for the same amount is also enclosed to support the expenditure.

Inadequate Support for Other – IRS. No back up to support the \$465 check to the IRS could be found. However, it did appear as a sweep account for the IRS to directly withdraw the money from the account.

Inadequate Support for Other – Flowers. Enclosed is a copy of cancelled check #1222 for \$54.13 as well as an invoice from McShan Florist. This was a flower arrangement sent by the Board of Directors to a NTWBDC person who was sick and in the hospital.

Inadequate Support for Salary – Fringe. There is no back up for this number, but it is the amount that was paid every month by the NTWBDC for health insurance for the director, [Ex. 6]. There is documentation for other months to justify this expense.

Inadequate Support for Salary – Fringe. Enclosed is check #1331 to Bailey Insurance Associates for \$2320, which covers liability, auto, workman's comp and directors insurance. The invoice is also enclosed which is for a larger amount than what was actually paid.

Inadequate Support for Salary – Fringe. Enclosed is check #1057 to the IRS for \$1470.57 to pay payroll taxes as well as a receipt from the IRS showing that this amount had been credited to the NTWBDC.

No Support for Salary – Fringe. Enclosed please find payroll check #1193 showing \$107.31 in social security deductions.

No Support for Salary. Enclosed please find payroll check #1210 for \$1256.36 which is the net salary of the gross \$1730.77 that needed supporting documentation.

Inadequate Support for Supplies – General Office. Enclosed are receipts to support \$200.24 of the \$401.44 in question.

No Support for Travel – In Region. Enclosed please find a detailed invoice in support of the \$650.92 in question.

Inadequate Support for Travel – In Region. No documentation could be found to support the \$402.35 in question.

No Support for Travel – In Region. Enclosed is cancelled check #1031 and supporting documentation for \$916.32.

Inadequate Support for Travel – Washington, DC. No documentation could be found to support the \$359.00 in question.

No Support for Travel – Washington, DC. Enclosed is supporting documentation for the \$759.49 in question.

Year 1 Unallowable Matching Costs (Table 2)

Inadequate Support for \$1670 out of \$6731 for Equipment – Purchases. Enclosed is a memorandum of understanding detailing all of the equipment items for the total amount (\$6731) of in kind contributions.

Inadequate Support for Equipment – Purchases. No documentation could be found to support the \$4061 in question.

No Support for Other – Administrative. Enclosed is a letter from the Dawson Group providing support for the cash match amount of \$4485.

Inadequate Support for Other – Training Services. Enclosed is a letter from NAWBO providing support for the cash match amount of \$4500.

Inadequate Support for Salary – Fringe. Enclosed is a time sheet that provides support for check #1192 in the amount of \$458.15 which is a partial amount of the \$713.58 in question.

No Support for Salary – Fringe. Enclosed is a letter providing support to use the salary in question as a cash match.

No Support for Salary. Same as above.

Inadequate Support for Salary. Enclosed is a time sheet and cancelled check #1201 for payroll amount \$833.26 which is the net amount of the \$1019.23 gross payroll amount in question.

Inadequate Support – Travel. Enclosed is cancelled check #1236 for \$986.27 and all supporting documentation.

Year 2 Unallowable Federal Costs (Table 3)

Unexpended Federal Funds - \$29,119.61. A request has been made to the Contracting Officer at SBA to determine any contract modifications that extended the funding year for year 2. Due to the amount of time between the close of the contract and the audit, the contracting files are apparently incomplete. We lack institutional memory and there are no close out records available from the physical site. At this time, we are waiting on a response from the SBA contracting office.

Inadequate Support for Other – Training Services. Enclosed is a copy of cancelled check #1351 to the Chamber of Commerce in the amount of \$3000, an invoice from the Chamber for \$3000 and a letter from the Chamber supporting the expense.

No Support for Salary – Fringe. No documentation was found to support the \$999.16 in question.

Inadequate Support for Supplies – General Office. Enclosed is cancelled check #1379 for \$2465.03 as well as supporting documentation for the \$865.15 in question. Also, check #1379 covers the expenses for the \$1599.88 in question under cash match. Supporting documentation for this equipment purchase is also supplied.

No Support for Supplies – General Office. No documentation was found to support the \$2570 in question.

No Support for Travel. No documentation can be found to support the \$329.49 in question.

Year 2 Unallowable Matching Costs (Table 4)

Inadequate Support for Equipment – Purchases. See cancelled check #1379 under Table 3.

No Support for Other – Administrative. Cancelled check #1307 for \$13.28 as well as receipt submitted in support of donut expense for Board meeting.

No Support for Other – Administrative. Cancelled check #1318 for \$69.90 as well as receipt submitted in support of lunch expense for Board meeting.

No Support for Other – Administrative. Cancelled check #1331 for \$1050 as well as invoice submitted in support of insurance expense.

No Support for Other – Administrative. Cancelled check #1332 for \$2157 as well as invoice submitted in support of insurance expense.

No Support for Other – Administrative. Cancelled check #1338 for \$18.26 as well as receipt submitted in support of donut expense for Board meeting.

Inadequate Support for Other – Meeting Facilities. Cancelled check #1381 for \$3000, \$800 of which is meeting facilities expense. No supporting documentation could be found.

No Support for Other – Software Labor. Cancelled check #1301 for \$1743 is enclosed. Also, two invoices in the amount of \$1575 are enclosed in support of the number in question.

No Support for Salary. Enclosed please find supporting documentation for the cash match salary of \$10,395. No supporting documentation could be found for the following cash match salary numbers:

\$1140.48
\$2711.00
\$1342.50
\$2877.90
\$1780.00
\$1555.50
\$7573.28
\$2296.00
\$2604.00
\$5595.00

Inadequate Support for (listed below): Enclosed is a letter from the Vice President of the Chamber of Commerce listing each of the in kind donations for the Dallas Women's Covenant.

Contractual – Other	\$30,000
Other – Postage	\$ 1,000
Other – Printing	\$ 4,200
Other – Training	\$ 1,500
Other – Training	\$ 1,050

No Support for Other – Training Services. No supporting documentation could be found for the following in kind match numbers:

\$475.00

\$300.00

\$300.00

\$15,492.79

Year 3 Unallowable Federal Costs (Table 5)

No Support for Salary – Fringe. Enclosed is supporting payroll documentation for the amount \$132.41 in question. No supporting documentation was found for the following amounts:

\$252.51

\$4598.34

Year 3 Unallowable Federal Costs (Table 6)

Misclassified as Cash & Partially Unallocable: Other – Rent. We are not able to address this issue or understand why it is not allowed. No one involved in this audit was here at the time this agreement took place. However, no rent was paid in cash during this period due to the office space being provided by Bill J. Priest Institute for Economic Development as an in-kind match.

Unreasonable for Other – Flowers. Enclosed please find a copy of cancelled check #1394 and an invoice for \$32.48. This flower arrangement was sent to a Board of Director member who was in the hospital.

No Support for Salary – Fringe. No supporting documentation could be found for the \$2572.98 in question.

No Support for Salary. No supporting documentation could be found for the \$2651.86 in question.

Inadequate Support for Salary. Enclosed please find time sheets to justify the following amounts in question:

\$375.00

\$720.00

\$498.00

Inadequate and No Support for Salary. No supporting documentation could be found for the \$7320.00 in question.

No Support for Contractual – Programs. No supporting documentation could be found for the \$1881.80 in question.

Offset to In-Kind. Refer to first item answer in Table 6.



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

September 14, 1999

MEMORANDUM FOR:

Victor R. Ruiz
Director, Business Development Group

FROM: Thomas Dumaesq, AA/A *TD*

SUBJECT: OPGM Comments on the Draft Audit of Cooperative Agreement No. SBA-HQ-95-W-0014 awarded to the North Texas Women's Business Development Center

OPGM staff has reviewed this audit report and we agree with the findings and recommendations. It appears that significant portions of the disallowed costs are based on a lack of backup documentation. In many cases, there is evidence that the funds were actually spent, e.g. a check, but that is the only available documentation. While we agree that it is appropriate to recommend that these costs be disallowed, we are examining the possibility that the GOTR may have first hand knowledge that these costs were incurred for the specified purpose.

If you need additional information please let me know.

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