

AUDIT REPORT

SBA NEEDS TO IMPROVE ITS MANAGEMENT OF DISASTER TECHNICAL ASSISTANCE GRANTS





EXECUTIVE SUMMARY

Audit Report
15-15

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July 31, 2015

What OIG Reviewed

The Disaster Relief Appropriations Act of 2013 included \$20 million—\$19 million of which was available after sequestration—for the Small Business Administration's (SBA's or the Agency) Office of Entrepreneurial Development (OED) to provide technical assistance to small businesses recovering from Hurricane Sandy. Using these funds, OED awarded grants to its resource partners in two phases. OED awarded \$5.8 million in Phase 1 for short-term needs and \$13.2 million in Phase 2 for a long-term resiliency initiative. We focused on the two largest recipients, the New York Small Business Development Center (NYSBDC) and the New Jersey Small Business Development Center (NJSBDC), which together received \$12.6 million of the \$19 million appropriated for Hurricane Sandy technical assistance grants.

Our objectives were to determine whether SBA's oversight of Hurricane Sandy technical assistance grant funds ensured (1) program goals and objectives were achieved, and (2) requests for advances and reimbursements were supported by valid grant expenditures.

What OIG Found

NYSBDC and NJSBDC (the SBDCs) reported achieving some Sandy goals, while other goals lagged significantly behind with the deadline for completion fast approaching. For Phase 1, NYBDC reported meeting nearly 3 of its 4 goals, while NJSBDC reported meeting nearly 2 of its 3 goals to address short-term needs. However, the SBDCs faced challenges in operating under an initial aggressive 6-month timeline, while delivering an increased level of technical assistance services supported by multiple funding sources. For Phase 2, NYBDC and NJSBDC may not meet their goals for long-term resiliency. As of March 31, 2015, several of the SBDCs' goals lagged behind schedule, with \$6.6 million remaining to be spent by August 2015.¹ Similar to Phase 1, both

SBDCs faced challenges with attracting technical assistance clients and spending Sandy funds concurrent with funds from other grants, including residual Phase 1 funding. The SBDCs also had difficulty collaborating with other technical assistance providers.

As a result, small businesses in New York and New Jersey may not receive the technical assistance services intended to spur long-term economic recovery and resiliency. With the deadline for Phase 2 fast approaching the urgency to spend the remaining Sandy funds will increase the risk of fraud, waste, and abuse, and that funds may not be used for their intended purpose.

We also found that SBA did not identify or mitigate the risk of unallowable expenditures during Phase 1. As a result, the SBDCs' sub-centers used \$16,965 on unapproved scholarship costs, \$168,082 on unsupported personnel and indirect costs, and \$335,217 on unapproved budget revisions—all of which went undetected by SBA.

OIG Recommendations

OED should compile a lessons learned report that will help in effectively preparing for future disasters. OED should also de-obligate unexpended funds, remedy \$520,264 in unallowable or unsupported costs, and require the NYBDC and NJSBDC to increase oversight and monitoring of sub-centers.

Agency Response

SBA agreed with our report and 9 of our 10 recommendations.

SBA plans to assess its performance and enhance its processes and procedures for managing disaster technical assistance grants. In addition, SBA plans to review questioned expenditures for allowability and work with the SBDCs to improve controls over financial management. SBA also requested that the Office of Management and Budget extend the availability of Phase 2 funds through August 31, 2016.

¹ March 31, 2015, was the most recent quarterly performance data. As of June 1, 2015, the SBDCs still had \$6.6 million to spend by August 2015.



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

Final Report Transmittal
Report Number: 15-15

DATE: July 31, 2015

TO: Maria Contreras-Sweet
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Douglas Kramer
Deputy Administrator, Small Business Administration

Tameka Montgomery
Associate Administrator, Office of Entrepreneurial Development

SUBJECT: *SBA Needs to Improve Its Management of Disaster Technical Assistance Grants*

This report presents the results of our audit of the Small Business Administration's (SBA) oversight of Hurricane Sandy technical assistance grants. The objectives of our audit were to determine whether SBA's oversight ensured (1) program goals and objectives were achieved, and (2) requests for advances and reimbursements were supported by valid grant expenditures.

The report contains 10 recommendations, 9 of which SBA agreed to implement. SBA partially agreed with one recommendation. Please provide us within 90 days your progress in implementing the recommendations.

We appreciate the courtesies and cooperation extended to us during this audit.

/s/

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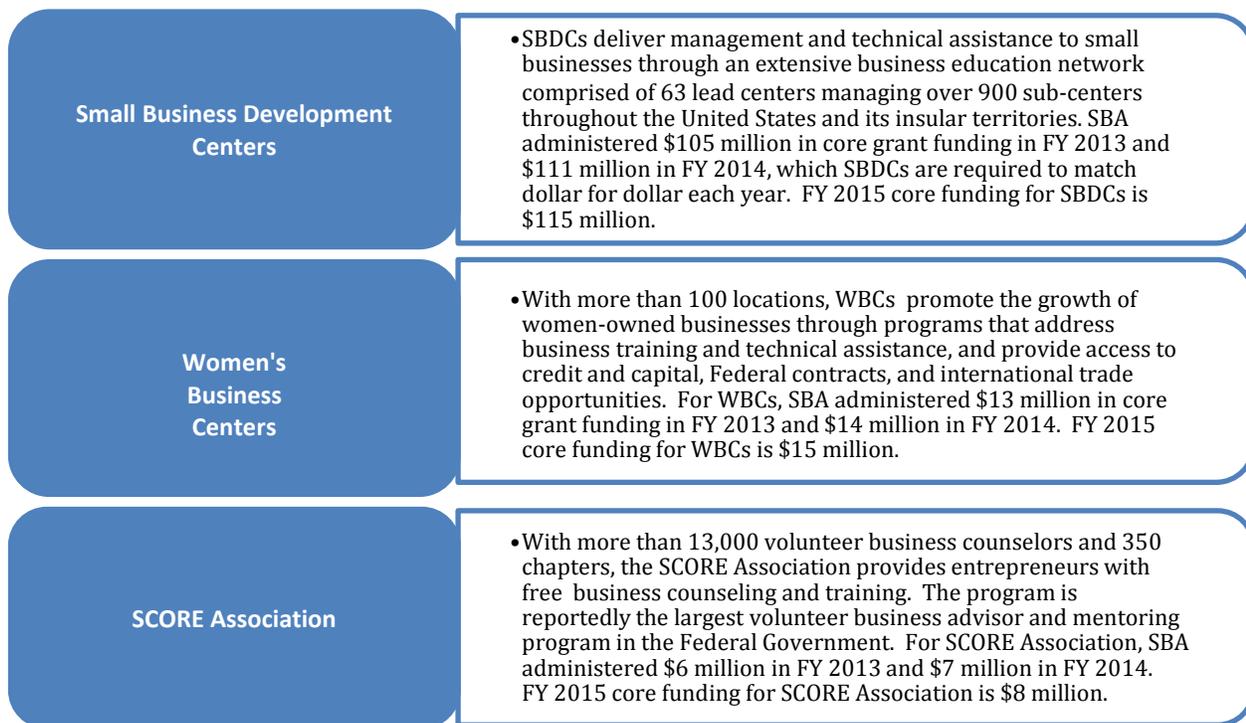
Introduction

On October 29, 2012, Hurricane Sandy devastated portions of the Mid-Atlantic and Northeastern United States. It was the second costliest Atlantic storm in United States history, causing tens of billions of dollars in damages and economic injury, displacing more than 775,000 persons, and resulting in over 160 fatalities. In response to Hurricane Sandy, on January 29, 2013, Congress enacted the Disaster Relief Appropriations Act of 2013 (DRAA), appropriating \$19 million to the Small Business Administration's (SBA or the Agency) Office of Entrepreneurial Development (OED) for technical assistance to small businesses recovering from Hurricane Sandy.²

The Office of Entrepreneurial Development and its Resource Partners

OED oversees a nationwide network of programs and services that support small businesses' training and counseling needs. OED's resource partners include small business development centers (SBDCs), women's business centers (WBCs), and the SCORE Association.

Figure 1. SBA's Resource Partner Network



Source: Generated by OIG based on SBA's Congressional Budget Justification and Annual Performance Reports.

Examples of counseling services offered by SBA's resource partners after a disaster may include advising participants on how to use SBA disaster loans, assisting in the disaster loan application process, offering business planning in the post-disaster environment, exploring entrepreneurial opportunities created by the disaster, and researching business continuity and related disciplines that constitute mitigation of the effects of future disasters on the same businesses.

² The DRAA provided OED an additional \$20 million for "Salaries and Expenses" for grants or cooperative agreements with organizations in order to provide technical assistance related to disaster recovery, response, and long-term resiliency to small businesses recovering from Hurricane Sandy. Sequestration resulted in OED's apportionment to be \$19 million.

To support Sandy recovery, OED collaborated with SBA's Office of Disaster Assistance (ODA) and developed a two-phased approach for awarding the \$19 million in disaster relief funds to SBA's resource partners.

Hurricane Sandy Technical Assistance Grants

OED awarded Hurricane Sandy technical assistance grants through two rounds of funding that totaled \$5.8 million for the first round (Phase 1) and \$13.2 million for the second round (Phase 2).

Phase 1

In April 2013, OED awarded 18 grants totaling \$5.8 million to 7 SBDCs, 10 WBCs, and the SCORE Association for a project entitled, "Phase 1: Hurricane Sandy Small Business Revitalization Opportunity." The project was a short-term initiative for immediate needs designed to get funds flowing quickly to resource partners. The project's original 6-month performance period was extended by 1 year from September 30, 2013 to September 30, 2014.

Phase 2

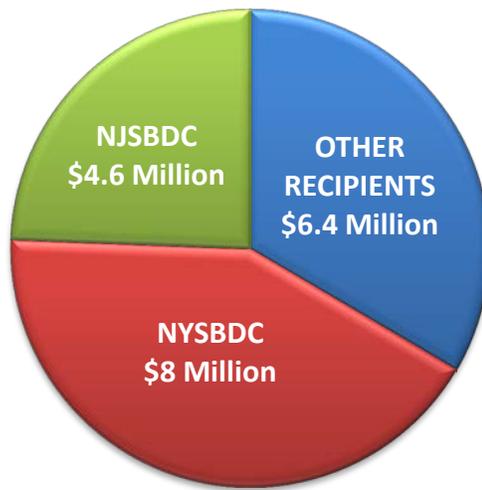
In September 2013, OED awarded 11 grants totaling \$13.2 million to 9 SBDCs and 2 WBCs for "Collaborative Small Business Hurricane Sandy Disaster Relief 2013." The purpose of Phase 2 was to spur long-term economic small business recovery and resiliency utilizing a collaborative approach. The success of the project depended on the ability of a single resource partner (coordinator) to develop and effectively execute a collaborative plan. The coordinator was to provide technical assistance through a concerted effort with at least one other SBA resource partner and Federal, State, and local organizations. This collaborative approach was intended to improve efficiency and avoid duplicating efforts. Phase 2 funding expires on August 31, 2015.

New York SBDC and New Jersey SBDC

The New York SBDC (NYSBDC) and New Jersey SBDC (NJSBDC) were the top two recipients of Hurricane Sandy technical assistance grants, receiving \$12.6 million of the total \$19 million (See Figure 2). For Phase 1 and Phase 2, NYSBDC and NJSBDC (the SBDCs or both SBDCs) made awards to sub-recipients.³

³ Sub-recipients consisted of sub-centers within an SBDC core network and other resource partners. See Appendix III for a listing of Phase 1 sub-awards and Appendix IV for a listing of Phase 2 sub-awards.

Figure 2. Distribution of \$19 million Hurricane Sandy Technical Assistance Grant Funds



Source: Generated by OIG based on cooperative agreements and SBA grant administration records.

Objectives

We reviewed grants at NYSBDC and NJSBDC to determine whether SBA's oversight ensured (1) program goals and objectives were achieved and (2) requests for advances and reimbursements were supported by valid grant expenditures.⁴

⁴ See Appendix I for a detailed discussion of our audit scope and methodology.

Finding 1: SBDCs Achieved Some Sandy Goals While Other Goals Lag Significantly Behind

As part of the Sandy Technical Assistance Grants project, NYSBDC and NJSBDC were required to establish goals, timelines, milestones, and budgets that were then approved by SBA. In Phase 1, the SBDCs were to deliver immediate, intensive small business counseling and training services in Sandy-affected counties. Accordingly, their Phase 1 goals predominantly focused on outreach, informing businesses about disaster assistance programs, and assisting business owners to request loans. Phase 2 was intended to spur long-term economic small business recovery and resiliency utilizing a collaborative approach. The SBDCs' goals predominantly focused on clients counseled, outreach events held, capital infusion, and business startups.

We found that overall for Phase 1 and Phase 2, the SBDCs had difficulty meeting their goals because they encountered many challenges that included (1) operating under an initial aggressive 6-month timeline, (2) delivering an increased level of technical assistance services supported by multiple funding sources, and (3) collaborating with other service providers. As a result, the collective level of services that OED intended to provide to Sandy-impacted individuals and small businesses through the \$12.6 million awarded to NYSBDC and NJSBDC may fall short by a significant margin.

Performance Results

After SBA granted a 1-year extension to award recipients for Phase 1, NYSBDC reported achieving nearly 3 of its 4 goals, while NJSBDC reported achieving nearly 2 of its 3 goals. The SBDCs faced challenges that delayed their progress, such as attracting technical assistance clients, and spending \$2.9 million in Sandy funds concurrent with non-Sandy funds. These challenges, compounded with difficulties in collaborating with other technical assistance providers in Phase 2, slowed progress significantly. As of March 31, 2015, several of both SBDCs' Phase 2 goals were less than 50 percent complete, with \$6.6 million remaining to be spent by August 2015.⁵

Phase 1 Performance Results

Both NYSBDC and NJSBDC initially struggled to accomplish their Phase 1 goals within the initial 6-month timeline and experienced delays that they shared with SBA. For example, within the short timeframe, NYSBDC needed to hire and train staff, and locate and establish new outreach locations. NJSBDC needed more time to allow specialty consultants to introduce Hurricane Sandy services to their unique communities. Once SBA extended the deadline by a year, both SBDCs were better able to meet some of their goals, while others still were incomplete.

Specifically, after spending nearly \$1.8 million, NYSBDC reported it exceeded two of its four goals and nearly met another; however, it missed one of its goals (to inform individuals about Sandy disaster assistance) by 67 percent (See Table 1).

⁵ March 31, 2015 was the most recent quarterly performance data that SBDCs provided to SBA. As of June 1, 2015, NYSBDC and NJSBDC still had \$6.6 million to spend by August 2015.

Table 1. NYSBDC Phase 1 Performance Results

NYSBDC Performance Metrics	Goal	Actual	Percent of Attainment
1 Help individuals request millions in loans from Federal, State, NYC and other assistance programs	\$40,000,000	\$53,830,489	135%
2 Host information and outreach events to promote availability of Sandy disaster assistance programs.	66	225	341%
3 Assist business owners apply for grants and loans from Federal, State, NYC and other assistance programs.	2,800	2,629	94%
4 Inform individuals about Sandy disaster assistance programs.	13,500	4,471	33%

Source: Generated by OIG based on NYSBDC Technical Proposal (Goal) and Performance Reports (Actual).

Additionally, while NYSBDC spent its entire award of \$1.1 million, the SBDC reported that it exceeded one of its performance goals and nearly met another, but it significantly underperformed in achieving one of its performance goals (the number of business startups) (See Table 2).

Table 2. NJSBDC Phase 1 Performance Results

NJSBDC Performance Metrics	Goal	Actual	Percent of Attainment
1 Capital Infusion	\$12,000,000	\$15,076,529	126%
2 Long-term Clients	201	189	94%
3 Business Startups	72	19	26%

Source: Generated by OIG based on NJSBDC Technical Proposal (Goal) and Performance Reports (Actual).

Out of the \$5.8 million Phase 1 funding awarded to all recipients, \$33,038 had not been drawn down as of June 1, 2015. SBA should de-obligate these funds.

Phase 2 Performance Results

For Phase 2, as of March 31, 2015, NYSBDC and NJSBDC reported several goals that were behind schedule and may not be accomplished by August 2015. Table 3 shows that 4 of NYSBDC's 7 goals were less than 50 percent complete and achievement of the remaining 3 goals ranged from 50 percent to 78 percent.

Table 3. NYSBDC Collaborative Group Phase 2 Performance Results as of March 31, 2015

NYSBDC Performance Metrics	Goal	Actual	Percent of Attainment
1 Business Starts	250	43	17%
2 Economic Impact	\$80,000,000	\$34,350,297	43%
3 Workshops Held	250	53	21%
4 Training Attendees	1100	551	50%
5 Clients Counseled or Mentored	3500	2227	64%
6 Outreach Events Held	150	117	78%
7 Jobs Created	750	39	5%

Source: Generated by OIG based on NYSBDC Technical Proposal (Goal) and Performance Reports (Actual).

Similarly, NJSBDC reported 3 of 6 performance goals were less than 50 percent complete.

Table 4. NJSBDC Collaborative Group Phase 2 Performance Results as of March 31, 2015

	NJSBDC Performance Metrics	Goal	Actual	Percent of Attainment
1	Jobs Created/Saved	825	224	27%
2	Business Startups	135	30	22%
3	Clients Counseled	2750	1356	49%
4	Training Attendees	2400	1233	51%
5	Training Events	70	89	127%
6	Capital Infusion	\$16,250,000	\$13,583,829	84%

Source: Generated by OIG based on NJSBDC Technical Proposal (Goal) and Performance Reports (Actual).

Difficulties Meeting Goals

NYSBDC and NJSBDC had difficulty meeting goals in both phases because neither SBA nor the SBDCs considered the impact that technical assistance services supported by non-Sandy grant funds would have on the SBDCs' ability to deliver increased services generated by Sandy-specific grant funds. This in turn led to the SBDCs simultaneously attempting to spend funding from competing sources. Additionally, in Phase 2, NYSBDC and NJSBDC did not fully utilize their resource partners, to whom they could have spread the funding and services that supported goal achievement more broadly.

Sandy Funding from Other Sources

First, NYSBDC and NJSBDC utilized core SBA grant budgets in the immediate aftermath of Hurricane Sandy—which was used to meet the most pressing Sandy needs. By the time SBA awarded NYSBDC Phase 1 funding for Hurricane Sandy, NYSBDC had already been using \$9.7 million in existing core grant funds to provide technical assistance to impacted small businesses in New York.⁶ SBA Sandy technical assistance grants also overlapped with funding from other Government agencies. In May 2013, NYSBDC received a Sandy-related community development block grant (CDBG) from the Department of Housing and Urban Development (HUD) for \$1.1 million.⁷ By the time NYSBDC received Sandy funds to deliver Phase 2 services, it not only had other competing funds to spend and services to deliver for SBA core and HUD CDBG, but also unexpended Sandy funds from Phase 1 that it had to spend within the same timeframe.⁸

Similarly, when NJSBDC was awarded its Phase 1 Sandy grant from SBA in April 2013, the SBDC had been operating under a calendar year (CY) 2013 core grant budget that exceeded \$5 million. Like NYSBDC, NJSBDC also faced the challenge of spending Phase 2 Sandy grant funds and delivering services that overlapped with the expenditure of funds and delivery of services to fulfill the requirements of other non-Sandy grants.⁹

⁶ See success stories in Appendix V.

⁷ On June 11, 2015, HUD increased the award amount to \$2.9 million and extended the period of performance to November 1, 2016.

⁸ See Appendix VI.

⁹ See Appendix VI.

As funding sources accumulated, so did the number of services that must be delivered by the SBDCs. Ultimately, overlapping funding made it difficult for the SBDCs to find clients who were not already being serviced by other funding sources. For example, personnel at NYSBDC walked through affected neighborhoods looking for individuals to sign up for counseling. Likewise, NJSBDC made cold calls to individuals who received SBA loans.

Allocating Phase 2 Funding to Collaborative Groups

Additionally, we found that NYSBDC and NJSBDC did not effectively allocate Phase 2 funding to its collaborative groups, which may have made it even more difficult to accomplish their Phase 2 goals and spend the large amounts of money that they had received. Specifically, as part of Phase 2 requirements, SBA only accepted applications from a “collaborative group of partners” that was headed by a coordinator, such as an SBDC. This collaborative approach, which would include sharing funds, was not well-received by the resource partners.

Our audit found that the NYSBDC and NJSBDC collaborative groups included few partners outside of their core networks, and neither allocated significant funding to those partners. For example, NYSBDC’s collaborative group only included 4 partners outside of its core network of 24 sub-centers. These four partners received \$964,720 in sub-awards of the \$6.2 million awarded to the NYSBDC. Conversely, 11 partners were colleges and universities that were part of NYSBDC’s core network and collectively received sub-awards totaling \$4.6 million of the \$6.2 million that SBA awarded the coordinator. Similarly, NJSBDC had a total of five partners outside of its core network, with sub-awards that totaled \$421,000 of the \$3.58 million that SBA awarded NJSBDC. The SBDC’s other 12 partners that were awarded \$1.7 million were colleges and universities.

Had the SBDCs distributed Sandy funds and responsibilities for goal achievement more broadly across their collaborative groups, they may have better accomplished the increased services expected of Sandy funds.

As of June 1, 2015, the NYSBDC and NJSBDC still had not drawn down and distributed to their collaborative groups \$6.6 million of their \$9.8 million in Phase 2 funding, which may need to be de-obligated.¹⁰ Although the NYSBDC director believed that the funding period would be extended, SBA’s cooperative agreement for Phase 2 states that the Agency would not extend the award period beyond 24 months. Additionally, in its internal control plan, SBA stated it did not plan to seek a waiver of the 24-month grantee expenditure requirement. Furthermore, SBA officials communicated to the Office of Management and Budget (OMB) on two occasions that it would not require an extension of the funding period. We have noticed the trend of slow draw-down amongst all Phase 2 recipients. Of the \$13.2 million that the 11 Phase 2 recipients received, including NYSBDC and NJSBDC, \$9.1 million, or 69 percent, had not been drawn down as of June 1, 2015. With the deadline for Phase 2 fast approaching, the urgency to spend Sandy funds will likely increase the risk of fraud, waste, and abuse, and that funds may not be used for their intended purposes. SBA officials recently made informal inquiries to OMB exploring the possibility of obtaining a waiver to extend the Phase 2 funding period. However, we believe that grant recipients will continue to face difficulties with spending the funds and an extension will not mitigate the risks presented by those challenges.

¹⁰ NYSBDC had not drawn down \$4.1 million of its \$6.2 million, and NJSBDC had not drawn down \$2.5 million of its \$3.6 million.

As a best practice, we believe that OED should take further steps to analyze its performance in response to Hurricane Sandy. As an example, SBA's Office of Disaster Assistance (ODA) issued the *Superstorm Sandy Closeout Report*, which covered the challenges and successes ODA experienced during the Agency's response to Sandy and actions ODA planned to take based on its experience. We believe that OED could benefit from such an analysis, as the office would be better prepared to plan its response for disasters in the future.

Recommendations

We recommend that OED's Associate Administrator:

1. De-obligate unexpended Phase 1 funds and require recipients to submit unexpended funds to SBA.
2. Account for and de-obligate Phase 2 funds unexpended by August 31, 2015.
3. Prepare a closeout report for Sandy technical assistance grants that covers the challenges, successes, and actions to take based on OED's experience. Using the closeout report, develop a plan for deploying technical assistance resources in the wake of a disaster.

Finding 2: SBA’s Oversight Did Not Mitigate the Increased Risk of Unallowable Expenditures.

To mitigate the greater risk posed by disaster spending, the DRAA required Federal agencies supporting Sandy recovery and other disaster-related activities to augment existing internal controls and to implement additional ones to address increased risk of fraud, waste, and abuse.¹¹ We found that OED required SBDCs to submit detailed expenditure worksheets with payment requests and quarterly financial reports with budget narrative justifications worksheets. Nevertheless, we found that NYSBDC and NJSBDC received \$2.3 million in advance funds when this level of funding was not actually needed, NYSBDC improperly transferred \$335,217 between budget categories without the Agency’s approval, and both SBDCs incurred unsupported costs totaling \$185,047.

Improper Advance of \$2.3 Million

In April 2013, OED advanced NYSBDC its full award amount of \$1,819,440 and NJSBDC \$525,000 of its \$1,052,600 without determining the level of funding needed. However, both OMB Circular A-110 and SBA’s cooperative agreements with these SBDCs required that SBA only advance the funds that were needed for immediate cash requirements.¹² At the end of the initial 6-month period, NYSBDC had only spent \$444,406 (24 percent of the \$1.8 million it was advanced for Phase 1). Similarly, after 6 months, NJSBDC had only spent \$296,408 (56 percent of its advanced funding of \$525,000), which demonstrated that the SBDCs did not need—or could not spend—a significant amount of the funds that SBA advanced. SBA officials explained that because they did not receive funding from Congress until April 2013, 6 months after the disaster, they immediately deployed funds to NYSBDC and NJSBDC in order to get funds flowing quickly. While we agree that funds should be disbursed as close to the time of the disaster as possible, as we noted in Finding 1, funding from other sources diminished the need for the level of funding that OED advanced the SBDCs.¹³

Improper Transfer of \$335,217

We also found that by the end of the grant period, NYSBDC had reallocated \$335,217 (18 percent of its total budget) between cost categories without obtaining prior approval from SBA, as required.¹⁴ NYSBDC’s director of finance, who confirmed that NYSBDC did so without approval, attributed this to an oversight due to last-minute transfers and delayed or late invoices from centers that had reallocated funding to support extra staff. Although OED identified the unapproved transfer when closing the grant, it did not periodically assess NYSBDC’s quarterly submissions for cost

¹¹ M-13-07, *Memorandum for the Heads of Executive Departments and Agencies, Accountability for Funds Provided by the Disaster Relief Appropriations Act.*

¹² 2 CFR, Part 215, Office of Management and Budget Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* states, “Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project.” Per the cooperative agreement, “You must draw down Federal funds only as needed to meet actual or estimated expenditures for the relevant reporting period. You must avoid accumulating Federal funds in excess of current disbursement needs.”

¹³ The cooperative agreement between SBA and its grant recipients states, “Federal funds must only be drawn down as needed to meet actual or estimated expenditures for the relevant reporting period. You must avoid accumulating Federal funds in excess of current disbursement needs. Further, payments will be made based on your demonstrated bona fide disbursement requirement consistent with the approved budget and milestones.”

¹⁴ See Appendix VII for comparison of NYSBDC’s approved budget to actual cost incurred by cost category.

reallocations that exceeded allowable limits.¹⁵ Therefore, it missed the opportunity to timely examine the transfers to ensure that they would help NYSBDC accomplish its Sandy goals. Even when OED identified the unapproved cost reallocations after the grant closed, it did not examine the propriety of the transfers. Instead, OED retroactively adjusted the amounts in the original approved budget so that budgeted costs agreed with costs actually incurred in each spending category. In our opinion, retroactively adjusting the budgeted amounts so they agreed with the actual costs with no documented rationale or justification undermined the provisions of the grant and the DRAA.

Unsupported and Unallowable Costs of \$185,047

We also found that NYSBDC did not have appropriate oversight of its sub-centers, and did not identify unsupported expenditures. According to NYSBDC's accounting records, in November 2014, the SBDC paid one of its sub-centers \$168,082 for costs that were categorized primarily as "personnel" and "fringe."¹⁶ NYSBDC's director of finance based the decision to pay the sub-center solely upon the sub-center's accounting records: the sub-center submitted a single invoice and financial report to NYSBDC for the entire budget period, contrary to the quarterly submission required by its sub-agreement. However, these records did not provide sufficient supporting documentation to substantiate the claimed percentage of work performed in support of the cost incurred for the project.¹⁷ To date, the sub-center has not been able to provide OIG with documentation to support the payment, which causes us to question the validity of the charges.

Furthermore, we determined that one of NJSBDC's sub-centers incurred costs totaling \$16,965 for "scholarships," a cost category that was not approved by SBA or NJSBDC in the sub-center's approved budget.¹⁸ The sub-center used grant funding for 29 scholarships for an Entrepreneur Certificate Program for a total of \$16,965. OMB Circular A-21 prohibits the use of grant funds to pay for tuition and scholarships without the prior approval of the awarding Federal agency.¹⁹ However, NJSBDC told us they did not consider these charges as scholarships as defined by OMB, and therefore did not need SBA's approval. Even if these charges were not considered scholarships as defined by OMB, we believe that the entire \$16,965 was unallowable because it was not included in NJSBDC's budget.²⁰ Finally, we question whether the scholarship program's cost is justified, as its impact is questionable. As of April 2015, 16 of the 29 selectees had either not completed one or more workshops or received the 5 counseling hours needed to receive a certificate, and 1 did not attend any of the program sessions.

An SBA official told us that changes to oversight were made midway through the Sandy initiative, but the lack of administrative funds and the short timeframe allotted for planning further hindered the development of an infrastructure and SBA's ability to detect financial errors made by grant recipients. We conclude that OED did not sufficiently modify its processes or SBDCs' processes, despite OMB's requirement for increased internal controls for Sandy grants. OED should have planned for increased oversight, particularly since OED had reviewed NYSBDC and NJSBDC's budgets and was aware that the majority of spending was to occur at the sub-center level.

¹⁵ According to the cooperative agreement, NYSBDC should have obtained approval from SBA prior to transferring funds between cost categories when the gross amount involved was greater than 10 percent of the overall project budget.

¹⁶ According to the sub-center's invoice, the majority of costs incurred were for personnel and fringe totaling \$136,808 and indirect costs totaling \$28,014.

¹⁷ Rockland Community College, Rockland County and Westchester County, New York.

¹⁸ Brookdale Community College, Monmouth County, New Jersey.

¹⁹ OMB A-21 – 2 CFR Part 220, Cost Principles for Educational Institutions prohibits the use of grant funds to pay for tuition and scholarships without the prior approval of the awarding Federal agency.

²⁰ At a minimum, \$9,945 of the \$16,965 was unallowable because 17 of the 29 selectees did not complete the program.

However, rather than requiring SBDCs to increase their oversight of Sandy funds, OED allowed SBDCs to operate under existing processes. Consequently, OED's own oversight of Sandy funding, was likewise limited, and OED did not have access to sufficient information to adequately detect these issues.

Recommendations

We recommend that OED's Associate Administrator:

4. Provide documentation or recover from NYSBDC \$168,082 that was disbursed to Rockland Community College after examining the propriety of Sandy activities pertaining to the funds.
5. Require NJSBDC to develop and implement a process for approving requests for payment, including controls to ensure adequate supporting documentation accompanies requests for payment from sub-centers.
6. Require NYSBDC to develop and implement a process for approving requests for payment, including controls to ensure adequate supporting documentation accompanies requests for payment from sub-centers.
7. Recover or bring into compliance \$16,965 for charges submitted for expenses that were not included in NJSBDC's approved budget.
8. Review the expenditures for the \$335,217 transfer of funds to ensure these costs are supportable and allowable, and document the rationale for approving the transfer.
9. Develop and implement policies and procedures for ensuring the reallocation of funds between budget cost categories is assessed for the percentage of increases and decreases on a quarterly basis.
10. Develop and implement policies and procedures for advancing disaster funds.

Analysis of Agency Response

SBA management provided formal comments, which are included in their entirety in Appendix VIII.²¹ The Office of Entrepreneurial Development (OED) agreed with 9 of our 10 recommendations and partially agreed with one recommendation, noting that it requested OMB to extend the availability of Phase 2 funds through August 31, 2016. The following provides a summary of management's comments and the actions necessary to close the report.

²¹ Specific details about actions that SBA management proposed to take to implement our recommendations are included on SBA Forms 1824, *Recommendation Action Sheets*.

Summary of Actions Necessary to Close the Report

1. De-obligate unexpended Phase 1 funds and require recipients to submit unexpended funds to SBA.

OED stated that it de-obligated the funds. This recommendation can be closed upon OED providing evidence supporting the reconciliation of Phase 1 funds including the de-obligation of funds that were not drawn down and any funds not spent by recipients.

2. Account for and de-obligate Phase 2 funds unexpended by August 31, 2015.

OED stated that pending OMB's approval, availability of Phase 2 funds may be extended through August 31, 2016. In our judgment, grant recipients may continue to experience difficulties implementing Phase 2 and accomplishing the goal of spurring long-term economic small business recovery and resiliency utilizing a collaborative approach. We believe SBA should require the grant recipients to submit a plan for deploying Phase 2 technical assistance resources prior to extending the grant period. This recommendation can be closed upon OED providing evidence supporting that either OMB approved an extension and the grant recipients provided plans for implementing Phase 2 or unexpended Phase 2 funds have been accounted for and de-obligated.

3. Prepare a closeout report for Sandy technical assistance grants that covers the challenges, successes, and actions to take based on OED's experience. Using the closeout report, develop a plan for deploying technical assistance resources in the wake of a disaster.

OED stated that it would prepare a report of challenges, successes, and lessons learned and document short-term and long-term actions that it plans to take. OED proposed to implement this recommendation by December 31, 2015. This recommendation can be closed upon OED providing evidence supporting that it has prepared a closeout report for Sandy technical assistance grants and developed a plan for deploying technical assistance resources in the wake of future disasters.

4. Provide documentation or recover from NYSBDC \$168,082 that was disbursed to Rockland Community College after examining the propriety of Sandy activities pertaining to the funds.

OED stated that it would review questioned expenditures from Rockland Community College and provide assurance of reasonable, allocable, and allowable expenditures or recover the funds. OED proposed to implement this recommendation by September 30, 2015. This recommendation can be closed upon OED providing evidence supporting that it has examined the propriety of Sandy activities pertaining to the \$168,082 that NYSBDC disbursed to Rockland Community College and taken action to recover the funds if warranted.

5. Require NJSBDC to develop and implement a process for approving requests for payment, including controls to ensure adequate supporting documentation accompanies requests for payment from sub-centers.

OED stated that it would work with NJSBDC to develop and implement a process for approving requests for payment, including controls to ensure adequate supporting documentation for payment from sub-recipients. OED proposed to implement this recommendation by September 30, 2015. This recommendation can be closed upon OED providing evidence supporting that NJSBDC has developed and implemented a process for approving requests for payment from sub-centers, including controls to ensure adequate supporting documentation accompany payment requests.

6. Require NYSBDC to develop and implement a process for approving requests for payment, including controls to ensure adequate supporting documentation accompanies requests for payment from sub-centers.

OED stated that it would work with NYSBDC to develop and implement a process for approving requests for payment, including controls to ensure adequate supporting documentation for payment from sub-recipients. OED proposed to implement this recommendation by September 30, 2015. This recommendation can be closed upon OED providing evidence supporting that NYSBDC has developed and implemented a process for approving requests for payment from sub-centers, including controls to ensure adequate supporting documentation accompany payment requests.

7. Recover or bring into compliance \$16,965 for charges submitted for expenses that were not included in NJSBDC's approved budget.

OED stated that it would review questioned expenditures from NJSBDC and provide assurance of reasonable, allocable, and allowable expenses and request a modified budget or recover the funds. OED proposed to implement this recommendation by September 30, 2015. This recommendation can be closed upon OED providing evidence supporting that the \$16,965 of questionable expenditures are allowable or OED has recovered the funds.

8. Review the expenditures for the \$335,217 transfer of funds to ensure these costs are supportable and allowable, and document the rationale for approving the transfer.

OED stated that it would review questioned expenditures for the \$335,217 transfer of funds to ensure these costs are supportable and allowable and document the rationale for approving the transfer. OED proposed to implement this recommendation by September 30, 2015. This recommendation can be closed upon OED providing evidence supporting that it has reviewed expenditures for the \$335,217 transfer of funds and determined if the costs are supportable and allowable, and documented its rationale for approving the transfer.

9. Develop and implement policies and procedures for ensuring the reallocation of funds between budget cost categories is assessed for the percentage of increases and decreases on a quarterly basis.

OED stated that it would develop policies and procedures for Disaster Technical Assistance Grants, for re-allocation of funds between budget cost categories that assesses the percentage of increases and decreases on a quarterly basis. OED further stated that this policy would be in future NOAs (Notice of Awards). OED proposed to implement this recommendation by August 31, 2015. This recommendation can be closed upon OED providing evidence supporting that it has developed and implemented policies and procedures for a quarterly assessment of the re-allocation of funds between budget cost categories.

10. Develop and implement policies and procedures for advancing disaster funds.

OED stated that it would develop policies and procedures for Disaster Technical Assistance Grants, for advancing funds and include the policy in future NOAs. OED proposed to implement this recommendation by August 31, 2015. This recommendation can be closed upon OED providing evidence supporting that it has developed and implemented policies and procedures for advancing disaster grant funds.

Appendix I: Scope and Methodology

Of the \$19 million and the 29 Sandy technical assistance grants that SBA awarded, we reviewed 4 grants totaling \$12.6 million that the Agency awarded to NYSBDC at the State University of New York and NJSBDC at Rutgers University. Specifically, we reviewed the grants to determine whether SBA's oversight ensured (1) program goals and objectives were achieved, and (2) advances and reimbursements were supported by valid grant expenditures. We did not examine the extent to which Sandy technical assistance grants actually helped individuals and small businesses recover from the disaster.²²

We interviewed personnel of the State University of New York, Rutgers University, NYSBDC, and NJSBDC. We also interviewed personnel with responsibility for managing and overseeing Hurricane Sandy technical assistance grants in SBA's Office of Small Business Development Centers, Office of Women's Business Ownership, Office of Entrepreneurship Education, and Office of Disaster Assistance. We also interviewed staff in SBA's Office of the Chief Information Officer about SBA's Entrepreneurial Development Management Information System (EDMIS). Further, we reviewed applicable laws, regulations, and implementing guidance, and OMB guidance governing the award and administration of Hurricane Sandy grant funds and grants made to educational institutions and non-profit organizations. We also reviewed the Agency's *Disaster Preparedness Recovery Plan 2012* and its *Superstorm Sandy Closeout Report*.

Additionally, we reviewed SBA grant files, analyzed budgetary data and post-award payment requests, and financial and programmatic reports. We verified indirect costs to the rates approved by SBA. We reconciled costs claimed by grant recipients to accounting records. To ensure direct labor and other direct costs (e.g. materials and supplies, equipment and travel expenses) were adequately supported, we examined general ledgers, transaction data, and source documents used to support grant fund expenditures. We performed transaction-level testing on the validity of expenditures using a risk-based approach, and judgmentally selected transactions for further review.

We selected NYSBDC and NJSBDC's Sandy grant activities because these were the top two organizations for total dollars awarded for both phases. Of the 62 counties in the State of New York, 17 were declared Sandy disaster areas. NYSBDC was one of five SBA resource partners funded by the Agency to provide disaster-specific technical assistance to Sandy-impacted businesses in the State of New York. With the exception of the SCORE Association (\$840,000 for chapters nationwide), each award SBA made to other resource partners (four WBCs) in the State of New York, amounted to less than 10 percent of the \$1.8 million that SBA awarded to NYSBDC in Phase 1. Because of the collaborative purpose of Phase 2, NYSBDC, as the coordinator, received the one award (\$6.19 million) that SBA made to provide technical assistance to the Sandy-impacted individuals and small businesses in the State of New York.²³

In addition to NJSBDC (\$1.1 million), with the exception of the SCORE Association previously mentioned, only one other SBA resource partner—a WBC—received an award in the State of New Jersey (\$332,400) for Phase 1. Because of the collaborative purpose of Phase 2, NJSBDC, as the coordinator, received the one award (\$3.6 million) that SBA made to provide technical assistance to

²² See listings of awards and recipients for Phase 1 in Appendix III and Phase 2 in Appendix IV.

²³ See Appendix III, Table 6 for a listing of NYSBDC's Phase 1 sub-awards and Appendix IV, Table 8 for a listing of NYSBDC's Phase 2 sub-awards.

Sandy-impacted individuals and small businesses in the State of New Jersey. We performed site visits at NYSBDC in Albany, NY and NJSBDC in Newark, NJ.²⁴

All activity for Phase One was concluded September 30, 2014. Phase Two activity is scheduled to conclude August 31, 2015.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Use of Computer-Processed Data

Our audit involved assessing computer-processed data that supported the financial activity and performance of NYSBDC and NJSBDC. The SBDCs reported financial data to SBA in SF-270, *Request for Advance or Reimbursement*; SF-425, *Federal Financial Report*; and detailed expenditure worksheets. For performance reporting, NYSBDC and NJSBDC uploaded performance data monthly to SBA's EDMIS. In addition to the monthly reporting in EDMIS, the SBDCs submitted quarterly performance reports to the Agency. We took no exceptions to the underlying data that supported financial information.

However, in examining the underlying information that supported performance data, we identified data integrity issues, including data that was inconsistent, inaccurate, and erroneous. Specifically, data in the performance reports that NYSBDC and NJSBDC provided to SBA was not consistent with performance data that resided in the Agency's EDMIS or the management information systems that NYSBDC and NJSBDC used to generate the reports. Furthermore, considering that performance data in the management information systems of NYSBDC and NJSBDC was uploaded to SBA's EDMIS, the data in both systems should have agreed, but it did not. Therefore, we did not rely on the data in SBA's EDMIS and the grant recipients' management information systems as a basis for our findings and conclusions. Instead, we relied on performance data in the reports NYSBDC and NJSBDC submitted to SBA, which was the best available data to accomplish our audit objectives.²⁵

Review of Internal Controls

SBA's Standard Operating Procedure (SOP) 00 02 2, *Internal Control Systems*, provides guidance on the implementation and maintenance of effective systems of internal control, as required by OMB.²⁶ OMB Circular A-123 provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal controls. According to OMB, agencies are responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

²⁴ See Appendix III, Table 7 for a listing of NJSBDC's Phase 1 sub-awards and Appendix IV, Table 9 for a listing of NJSBDC's Phase 2 sub-awards.

²⁵ We also noted that at times the goals that NYSBDC and NJSBDC reported in their performance reports were not consistent with the goals that SBA approved in their technical proposals. We did not, however, trace from the data in performance reports to the actual client intake, event, training and other forms SBA required grantees use to substantiate performance numbers. While we attest to the fact that the data allows us to answer our objectives, we do not attest to the overall reliability of the numbers in performance reports.

²⁶ OMB Circular A-123, Management's Responsibility for Internal Control (2004).

The scope of this audit was limited to a review of SBA's oversight of Hurricane Sandy technical assistance grants. Therefore, we limited our assessment of internal controls to an evaluation of the controls governing the management and administration of Hurricane Sandy technical assistance grants. We identified weaknesses and deficiencies in SBA's oversight pertaining to Hurricane Sandy disaster funds. We have addressed these deficiencies as causes in this report.

Nature of Limited or Omitted Information

No information was omitted due to confidentiality or sensitivity, nor were there limitations to information on this audit.

Prior Coverage

*Small Business Administration—Office of Inspector General
Improvements Needed in SBA's Oversight of the Financial Management of the District of
Columbia Small Business Development Center (Report 14-19, September 29, 2014).*

*Government Accountability Office (GAO)
Small Business Administration: Additional Steps Needed to Help Ensure More Timely Disaster
Assistance (GAO-14-760, September 2014).*

Appendix II: Questioned Costs & Funds Put to Better Use

Table 5a. OIG Schedule of Questioned Costs

Amount	Description	Explanation
\$16,965	Scholarships	Costs not included in budget and inconsistent with OMB requirements.
\$168,082	Personnel and Other Costs	Unsupported invoice
\$335,217	Variances Budgeted to Actual	Unallowable budget revisions
\$520,264	Total Questioned Costs	

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

Table 5b. OIG Schedule of Funds Put to Better Use

Amount	Description	Explanation
\$33,038	Phase 1 Funding	Unexpended grant funds
\$9,108,271	Phase 2 Funding	Unexpended grant funds
\$9,141,309	Total Funds Put to Better Use	

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

Appendix III: Disaster-Declared Counties and Distribution of Phase 1 Funding

Table 6. NYSBDC's Distribution of Phase 1 Funding by Disaster-Declared Counties

Disaster-Declared Counties	Sub-Centers and NYSBDC (Lead Center)	Phase 1 Funding
Bronx	City University New York at Lehman College – Bronx	\$61,302
Columbia Delaware Dutchess Greene Orange Sullivan Ulster	State University New York at Ulster Community College – Mid-Hudson	\$101,220
Kings	City University New York at New York City College of Technology –Brooklyn	\$186,583
Nassau	State University New York at Farmingdale	\$308,195
Suffolk	State University New York at Stony Brook University	\$192,028
New York	City University New York at Baruch College Columbia University	\$103,404 \$61,800
Putnam Rockland Westchester	State University New York at Rockland	\$168,098
Queens	City University New York at York College City University New York at LaGuardia Community College	\$145,506 \$61,302
Richmond	City University New York at College of Staten Island	\$168,906
	NYSBDC State University New York at Albany (Lead Center)	\$261,096
Total		\$1,819,440

Source: Generated by OIG based on NYSBDC's technical proposal and financial records submitted to SBA.

Table 7. NJSBDC’s Distribution of Phase 1 Funding to Sub-Centers by Disaster-Declared Counties

Disaster-Declared Counties	Sub-Centers and NJSBDC (Lead Center)	Phase 1 Funding
Sussex Warren Morris Hunterdon Somerset	Northwest New Jersey at Rutgers University	\$31,472
Mercer	The College of New Jersey	\$16,500
Burlington Gloucester Camden Salem	Camden at Rutgers University	\$36,000
Cumberland Cape May Atlantic	The Richard Stockton College of New Jersey	\$162,000
Ocean Monmouth	Brookdale Community College	\$225,000
Passaic	William Patterson University	\$28,500
Bergen	Bergen Community College	\$40,237
Essex	Newark at Rutgers University	\$49,352
Hudson	New Jersey City University	\$77,000
Union	Kean University	\$5,500
Middlesex	New Brunswick at Rutgers University	\$41,000
	NJSBDC at Rutgers University (Lead Center)	\$340,039
Total		\$1,052,600

Source: Generated by OIG based on NJSBDC Impact Study and financial records submitted to SBA.

Appendix IV: Distribution for Phase 2 Funding to Sub-Recipients

Table 8. NYSBDC's Distribution of Phase 2 Funding to Collaborative Group

Sub-Centers within NYSBDC Core Network	Funding to Sub-Centers	Collaborative Partners Outside of Core Network	Funding to Collaborative Partners Outside of Core Network
City University New York at Lehman College – Bronx	\$168,594	SCORE Association	\$454,720
State University New York at Ulster Community College– Mid-Hudson	\$310,660	Business Outreach Center Network	\$170,000
City University New York at New York City College of Technology –Brooklyn	\$654,078	Women's Enterprise Development Center	\$170,000
State University New York at Farmingdale	\$645,315	Queens Economic Development Center	\$170,000
State University New York at Stony Brook University	\$469,131		
City University New York at Baruch College	\$330,229		
Columbia University	\$186,760		
State University New York at Rockland	\$746,808		
City University New York at York College	\$450,563		
City University New York at LaGuardia Community College	\$169,174		
City University New York at College of Staten Island	\$516,687		
Total	\$4,647,999		\$964,720

Source: Generated by OIG based on NYSBDC's financial records submitted to SBA.

Table 9. NJSBDC's Distribution of Phase 2 Funding to Collaborative Group

Sub-Centers within NJSBDC Core Network	Funding to Sub-Centers	Collaborative Partners Outside of Core Network	Funding to Collaborative Partners Outside of Core Network
New Brunswick at Rutgers University	\$246,400	SCORE Association	\$80,000
Northwest New Jersey at Rutgers University	\$70,400	U.S. Resilience Project	\$71,000
Raritan Valley Community College	\$70,400	Women's Center for Entrepreneurship Corporation	\$120,000
The College of New Jersey	\$70,400	The Rutgers Center for Urban Entrepreneurship and Economic Development	\$50,000
Camden at Rutgers University	\$70,400	Union County Economic Development Corporation	\$100,000
The Richard Stockton College of New Jersey (Atlantic City)	\$158,400		
Brookdale Community College	\$369,600		
William Patterson University	\$70,400		
Bergen Community College	\$105,600		
Newark at Rutgers University	\$211,200		
New Jersey City University	\$176,000		
Kean University	\$105,600		
Total	\$1,724,800		\$421,000

Source: Generated by OIG based on NJSBDC's financial records submitted to SBA by email.

Appendix V: NYSBDC Sample of Core Funding Sandy Disaster-related Success Stories

The examples below were provided in NYSBDC's performance report for core funding and demonstrate that key resources were used for Sandy assistance from October 2012 to March 2013.

Success Story 1

Business Description: A family owned company that manufactures jewelry made from precious metals. The company was opened in 1951.

Problem Identification: The clients came to the SBDC looking for help with their disaster loan applications. The company suffered physical damage from Hurricane Sandy, including damage to their building and the loss of machinery and supplies. The clients estimated that they incurred \$650,000 in physical damages. The business was also closed for 3 weeks due to physical damage and the loss of power. The clients estimated that this 3 week closure cost them \$150,000 in business. The clients were looking for a loan to help with the cost of renovations in an attempt to complete current orders for the holiday season. The loss of these orders could have been detrimental to the business.

Assistance Provided: The Advisor reviewed the disaster loan programs currently available and their eligibility requirements. The Advisor helped the client with applications for both the NYBDC Emergency Fund Loan Application and the SBA Disaster Loan.

Results Achieved: The client was approved for an SBA Disaster Loan in the amount of \$690,000. Not only did this loan give them the ability to make the necessary repairs to the building and replace machinery they lost, but it helped the client retain 34 employees and gave them the ability to rehire the 3 employees that they had to let go because of Hurricane Sandy [Farmingdale SBDC].

Success Story 2

Business Description: A Sub Shop Franchise

Problem Identification: The client's business suffered property, inventory, and economic injury as a result of Hurricane Sandy. An Advisor was working from the Nassau County IDA Office for three days immediately following the storm and was able to communicate with many of the businesses that contacted the Nassau County Executive's Office inquiring about governmental assistance for effected businesses. The store could not operate for the foreseeable future as a result of flooding and power outages. The client would be without any revenue for several weeks and had questions about government loans.

Assistance Provided: The Advisor advised the client about the SBA disaster loans and assisted the client in submitting an application. As time went by the New York State (NYS) Sandy Loan Fund was established and the Advisor contacted the client about this program. The Advisor also assisted the client in submitting an application to the program. In early March the Advisor also alerted the client to the New York Rising Program and showed the client how to pre-register the client's business to apply for any available grants the client would be eligible for as a result of suffering property and economic injury as a result of the storm.

Results Achieved: The client closed on a \$25,000 NYS Sandy Small Business Loan which enabled the client to pay some invoices and replace damaged equipment [Farmingdale SBDC].

Success Story 3

Business Description: Chinese Take-out Restaurant

Problem Identified: The client lived in Brooklyn, but the client's business, a Chinese take-out restaurant, was located in New Jersey. As a result of Hurricane Sandy, the client's restaurant was closed for 11 days and the client's inventory was ruined.

Assistance Provided: The Advisor explained SBA's disaster relief loan processes. The Advisor translated the information for the client and worked with the client's spouse and accountant to prepare the loan application package by writing the explanation of what the client's business had endured, filled out the loan application, prepared the revenue schedule, schedule of liabilities, prepared the forecast and translated for the client since the SBA Disaster Relief Specialist did not speak Chinese. The SBA Disaster Relief Specialist reviewed the information and sent it to SBA.

Results Achieved: The client was approved and received a \$12,000 SBA disaster loan, which allowed the client to retain two employees [LaGuardia SBDC].

Appendix VI: NYSBDC and NJSBDC Sources of Grant Funds

Table 10. NYSBDC and NJSBDC Sources of Funds October 2012–May 2013

Date	Source	NYSBDC	NJSBDC
October 2012	SBA Core/SBDC Match	\$8,379,840*	
October 2012	SBA Carryover**/SBDC Match	\$1,309,826	
December 2012	SBA Portable Assistance***	\$200,000	
January 2013	SBA Portable Assistance	\$80,000	
January 2013	SBA Core		\$2,717,941
April 2013	SBA Sandy Phase 1 Funds	\$1,819,440	\$1,052,600
May 2013	HUD-CDBG	\$1,128,190****	

Source: Generated by OIG using grant records obtained from SBA and NYSBDC.

* Amount presented represents budgets for NYSBDC and the 11 sub-centers that received Sandy-related sub-awards. The NYSBDC's total core budget was \$16,443,024 and included the 24 sub-centers in its core network.

**Carryover funds were unexpended in prior core year and one half was required matching funds. Funds must be spent in the year of carryover.

***SBA Portable Assistance Grants assist with the startup and sustainability of small businesses.

**** On June 11, 2015, HUD increased the award amount to \$2.9 million and extended the period of performance to November 1, 2016.

Table 11. NYSBDC and NJSBDC Sources of Funds September 2013 – August 2015

Date	Source	NYSBDC	NJSBDC
September 2013	SBA Sandy Phase 1 Funds Carryover	\$1,375,034	\$756,198
September 2013	SBA Phase 2 Funds	\$6,191,000	\$3,582,000
October 2013 (FY 2014)	SBA Core/SBDC Match	\$8,604,801*	
October 2013 (FY 2014)	SBA Carryover/SBDC Match	\$649,920**	
January 2014 (CY 2014)	SBA Core/SBDC Match		\$5,979,880
October 2014 (FY 2015)	SBA Core/SBDC Match	\$8,580,635*	
October 2014 (FY 2015)	SBA Carryover/SBDC Match	\$1,597,759**	
January 2015 (CY 2014)	SBA Core/SBDC Match		\$6,057,117

Source: Generated by OIG using grant records obtained from SBA, NYSBDC, and NJSBDC.

*Amount presented represents budgets for NYSBDC and the 11 sub-centers that received Sandy-related sub-awards. NYSBDC's entire core budget included the 24 sub-centers in its network and totaled \$16.44 million for FY 2014 and \$16.65 million for FY 2015, including matching funds.

**Carryover funds were unexpended in the prior core year and must be spent in the year of carryover. Amount presented includes required matching funds.

Appendix VII: NYSBDC Approved Budget Compared to Actual Costs Incurred

Table 12. NYSBDC Approved Budget Compared to Actual Costs Incurred

	Approved Budget	Actual Spending	Increase	Decrease
Personnel Services	\$ 736,832	\$ 937,980	\$ 201,148	
Fringe	\$ 286,702	\$ 355,793	\$ 69,091	
Consultants				
Travel	\$ 26,000	\$ 14,822		\$ 11,178
Supplies	\$ 115,900	\$ 57,497		\$ 58,403
Contractual	\$ 54,000	\$ 109,558	\$ 55,558	
Other	\$ 298,121	\$ 32,486		\$ 265,635
Total	\$ 1,517,555	\$ 1,508,135		
Indirect Costs	\$ 301,885	\$ 300,291		
Total	\$ 1,819,440	\$ 1,808,427*	\$ 325,797	\$ 335,217

Source: Generated by OIG using NYSBDC Cost Sharing Expenditure Reports for Phase 1 and Combined Budget Plan submitted to SBA.

*NYSBDC returned an unexpended balance of \$11,013 to SBA.

Table 13. Budget Transfers Not Pre-approved

Actual Budget Transfers Increases	Actual Budget Transfers Decreases
\$ 325,797	\$ 335,217
17.9%	18.4%

Source: Generated by OIG based on data in Table 12 above and criteria established in NYSBDC's Phase 1 cooperative agreement.

Appendix VIII: Agency Comments



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

Date: July 20, 2015

To: Troy M. Meyer
Assistant Inspector General for Auditing

Through: Melvin Williams Jr.
General Counsel

From: Tameka Montgomery
Associate Administrator
Office of Entrepreneurial Development

Subject: Agency Response to Improvements Needed in SBA's Management of Disaster Technical Assistance Grants.

The Office of Entrepreneurial Development (OED) appreciates the opportunity to respond to the draft report. We agree with the OIG's recommendations with the exception of recommendation two. Since SBA requested OMB extend the availability of Phase 2 funds, we partially agree, pending the response from OMB. We will continue to work on improving our processes and procedures to manage disaster technical assistance grants. Regarding recommendation number one, recommended action has been completed. Please see the attached 1824s for more details.