

EVALUATION REPORT

REVIEW OF SBA'S STATE TRADE AND EXPORT PROMOTION GRANT PROGRAM





EXECUTIVE SUMMARY

REVIEW OF SBA'S STATE TRADE AND EXPORT PROMOTION GRANT PROGRAM

Report
No. 17-11

May 4, 2017

What OIG Reviewed

The Small Business Jobs Act of 2010 (the Act) authorized the State Trade and Export Promotion (STEP) grant program with the objectives to (1) increase the number of eligible small business concerns in the states that export, and (2) increase the export value of those eligible small businesses that already export.

As required by the Trade Facilitation and Trade Enforcement Act of 2015, the SBA Office of the Inspector General (OIG) reviewed SBA's STEP grant program to determine how the funds were used. To answer our objective, we requested the grant award and expenditure totals from the Office of International Trade (OIT), Office of Grants Management (OGM), and the Office of the Chief Financial Officer (OCFO). We also queried STEP data from the USAspending.gov website. Additionally, we judgmentally selected 15 grant awards totaling \$15.2 million.

What OIG Found

SBA could not provide consistent STEP grant award and expenditure data. The OIT, OGM, and OCFO provided different totals for the fiscal years (FYs) 2011, 2012, 2014, and 2015 grant awards and expenditures. Additionally, we compared the totals received from the three offices with USAspending.gov and found SBA did not update the website with complete and accurate award data.

We also found SBA implemented new reporting requirements for the FY 2014 STEP program that significantly improved the quality of the grant recipients' performance and financial reports. As a result, FYs 2014 and 2015 grant recipients provided performance and financial reports that identified the amount spent for each designated export activity as stated in the grant program

announcement. However, we were unable to determine how the grant recipients spent the funds in the first 2 years of the program, FYs 2011 and 2012, because SBA did not have defined program management procedures for the STEP grant program at that time. Additionally, we found that most of the grant recipients we reviewed did not expend all of the funds awarded.

OIG Recommendations

We provide three recommendations to improve SBA's oversight of its STEP program. We recommend that the Chief Financial Officer, the Associate Administrator for OIT, and the Chief Operating Officer implement corrective actions to ensure consistency in financial reporting within SBA. We also recommend that the Chief Financial Officer develop a process to ensure that SBA submits timely, complete, and accurate data in USAspending.gov. Additionally, we recommend that the Associate Administrator for OIT establish and document oversight procedures to ensure that the STEP program managers effectively monitor the grant recipient's progress in meeting targeted milestones.

Agency Response

SBA management's planned actions resolve the three recommendations. SBA plans to develop a process to ensure consistency in financial reporting for Federal assistance grants awards. SBA also will develop and implement a process to ensure that it submits timely, complete, and accurate data in USAspending.gov. Additionally, SBA will establish oversight procedures to effectively document and monitor grants recipients' performance in meeting their targeted milestones.



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

Final Report Transmittal
Report Number: 17-11

DATE: May 4, 2017

TO: Linda E. McMahon
Administrator



FROM: Hannibal "Mike" Ware
Acting Inspector General

SUBJECT: *Review of SBA's State Trade and Export Promotion Grant Program*

This report presents the results of our *Review of SBA's State Trade and Export Promotion Grant Program*. We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*.

We considered management comments on a draft of this report when preparing the final report. SBA agreed with all three recommendations.

We appreciate the courtesies and cooperation that we received from your staff during our audit. Please contact me at (202) 205-6586 or Riccardo Buglisi, Director, Business Development Programs, at (202) 205-7489 if you would like to discuss this report or any related issues.

cc: Mary Anne Bradfield, Chief of Staff
Peter J. Cazamias, Associate Administrator for Office of International Trade
Eugene Cornelius Jr., Deputy Associate Administrator for Office of International Trade
Joseph P. Loddo, Chief Operating Officer
Timothy E. Gribben, Chief Financial Officer and Associate Administrator for
Performance Management
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Introduction

The Small Business Jobs Act of 2010 (the Act) authorized the Small Business Administration (SBA) to establish the State Trade and Export Promotion (STEP) grant program as a 3-year pilot program. The objectives of the STEP grant program were to (1) increase the number of eligible small business concerns in the states that export and (2) increase the export value of those eligible small businesses that already export. The express purpose of the program was to award grants to states to execute export programs that assist eligible small business concerns in

- participation in a foreign trade mission,
- a foreign market sales trip,
- a subscription to services provided by the U.S. Department of Commerce,
- the payment of website translation fees,
- the design of international marketing media,
- a trade show exhibition,
- participation in training workshops, or
- any other export initiative determined appropriate by the Associate Administrator for SBA's Office of International Trade (AA/OIT).¹

The Act defined the term "state" to include each of the 50 several states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, and America Samoa. Congress later added the Commonwealth of the Northern Mariana Islands as an eligible recipient in 2013.² The Act required the AA/OIT to establish the STEP grant program and gave the AA/OIT the authority to award each of the eligible recipients no more than one grant per fiscal year (FY) on a competitive basis.

Although Congress originally authorized funding of \$30 million each year for FYs 2011, 2012, and 2013, it did not appropriate any funds for FY 2013.³ In FYs 2011 and 2012, SBA awarded grants to states with the goal of assisting eligible small business concerns with exporting. The STEP program's authorization expired at the end of FY 2013, but Congress appropriated \$8 million for STEP in FY 2014 and \$17.4 million for FY 2015.⁴

¹ Public Law 111-240, Small Business Jobs Act of 2010, section 1207(b) (September 2010).

² Public Law 112-239, National Defense Authorization Act of 2013, section 588 (January 2013).

³ Public Law 111-240, Small Business Jobs Act of 2010, sections 1701(a)(3) and (4) (September 2010).

⁴ Public Law 113-76, Consolidated Appropriations Act, 2014 (January 2014) and Public Law 113-235 Consolidated and Further Continuing Appropriations Act, 2015 (December 2014).

The following SBA program offices work individually and collaboratively to manage and process the STEP grant awards and reimbursement payments:

Office of International Trade	<ul style="list-style-type: none">•Manages the STEP program•Develops program announcement•Reviews and selects applications for award•Provides closeout verification procedures
Office of Grants Management Component of the Office of the Chief Operating Officer	<ul style="list-style-type: none">•Makes grant awards•Issues modifications•Approves advancement or reimbursement requests•Performs closeout procedures
Denver Finance Center Component of the Office of the Chief Financial Officer	<ul style="list-style-type: none">•Executes grant payments

Source: OIG generated based on program offices explanation of the STEP grant award and management process.

The Trade Facilitation and Trade Enforcement (TFTE) Act of 2015 established a new export program, the State Trade and Expansion Program, ending the pilot STEP grant program.⁵ The TFTE required the SBA Office of Inspector General (OIG) to submit a report to the Congressional Committees on Small Business regarding the use of amounts made available under the STEP grant program.⁶

Prior Work

SBA OIG conducted a review of the pilot STEP grant program that identified weaknesses in SBA's management and oversight of the STEP grant program.⁷ The report included nine recommendations to improve the SBA's management of the STEP grant program, including a recommendation to hold STEP grant recipients accountable for adhering to reporting requirements established in the notices of award and program announcements. Between May 2013 and September 2013, the OIT provided documentation to support the implementation of all nine recommendations.

Objective

Our objective was to determine how the funds for the STEP grant program were used. Specifically, we determined how much was awarded and expended and what the grant recipients spent the funds on.

⁵ Public Law 114-125, Trade Facilitation and Trade Enforcement Act of 2015, section 503 (February 2016).

⁶ Public Law 114-125, Trade Facilitation and Trade Enforcement Act of 2015 section 503 (8)(B) "Reports" (February 2016).

⁷ SBA OIG Report 12-21, *The SBA Needs to Improve Its Management of the State Trade and Export Promotion Grant Program* (September 2012).

Finding 1: SBA Provided Conflicting STEP Grant Award and Expenditure Data

We could not determine the exact amounts awarded and expended for the STEP grant program because of inconsistent financial data provided by SBA. Specifically, Office of the Chief Financial Officer (OCFO), Office of Grants Management (OGM), and Office of International Trade (OIT) provided different grant award and expenditure amounts for the STEP grant program FYs 2011, 2012, 2014, and 2015. Additionally, SBA reported incomplete and inaccurate grant award data in USAspending.gov.

Inconsistent Grant Award and Expenditure Amounts

The various program offices involved in managing and monitoring the grant program reported different STEP grant amounts awarded and expended (see Table 1). Office of Management and Budget requires agency management establish controls that ensure reliable financial reporting.⁸ These variances indicate SBA did not implement effective control activities over the STEP grant program transactions to ensure that they were complete and accurate for reliable reporting.

Table 1. STEP Program Award Amounts and Expenditures by Program Office

	FY 2011	FY 2012	FY 2014	FY 2015
Grant Award				
OCFO	\$29,999,875	\$29,996,182	\$7,915,207	\$16,948,928
OGM	\$28,977,094	\$29,997,493	\$8,096,884	\$17,400,000
OIT	\$28,977,094	\$29,996,182	\$8,000,000	\$17,400,000
USAspending.gov	\$28,934,166	\$29,093,330	\$8,000,000	\$15,995,297
Amount Expended				
OCFO	\$24,806,447	\$26,680,359	\$6,104,041	\$13,120,597
OGM	\$19,214,426	\$26,680,359	\$5,676,577	\$9,930,240
OIT	*	*	*	*
USAspending.gov	*	*	*	*
* No data provided.				
Source: OIG generated based on data provided by each program office and data retrieved from USAspending.gov.				

SBA awards each STEP grant recipient a defined amount of program funds, as established in the notice of award. Therefore, each program office involved in the STEP grant process should report identical amounts. However, we found that the program offices reported disparities on the amount awarded for each FY. For example, for FY 2011, OCFO reported nearly \$30 million of STEP grant awards, whereas OGM reported nearly \$29 million, which was more than a \$1 million difference.

Additionally, the three program offices review the same financial form that the grant recipients submit for reimbursement, yet we found they were not consistent in reporting the amount expended.⁹ For example, for FY 2011, OCFO reported over \$24.8 million of STEP grant program expenditures, whereas OGM reported over \$19.2 million, which was a difference of more than \$5.5 million. OIT did not provide aggregate totals for the amount expended because they kept track of the amount expended for each grant and did not have summary data readily available. An OGM

⁸ Office of Management and Budget, Circular A-123, *Management's Responsibility for Internal Control* (December 2004).

⁹ SF-270, Request for Advance or Reimbursement.

official stated that reported differences were likely a result of a non-standardized closeout process as well as potential human error.

Incomplete and Inaccurate Grant Award Data in USAspending.gov

SBA did not provide complete and accurate financial reporting information in USAspending.gov. The Federal Funding Accountability and Transparency Act of 2006, amended in 2008, required Federal agencies to report all contract and grant awards in USAspending.gov.¹⁰ The law mandates Federal agencies report every transaction for Federal contracts, grants, loans, and other financial assistance to the USAspending.gov website within 30 days. Grant award transactions include all modifications to the award including obligations and deobligations. OGM was responsible for reporting the grant awards, and subsequent modifications, in USAspending.gov. However, OGM did not adequately perform this requirement, and as a result, reported incomplete and inaccurate data in USAspending.gov for the STEP grant program.

OGM reported incomplete and inaccurate data because they were not reconciling the data in the grants management system with the data in USAspending.gov. Further, grant specialists did not consistently enter the award information into the grants management system, and OGM did not require a secondary review to ensure the award documents were complete and accurate. As a result, grant closeout procedures lacked consistency and grant specialists did not always use the proper deobligation form to complete the closeout.¹¹ As of January 2017, OCFO moved the function of updating USAspending.gov from OGM to OCFO.

Conclusion

Multiple information sources within SBA reported different STEP grant award and expenditure amounts and are therefore unreliable. Further, SBA did not provide complete and accurate financial reporting information in USAspending.gov. This resulted in SBA not being transparent with the public on what it awarded for the STEP grant program and being inconsistent with the Federal Funding Accountability and Transparency Act of 2006.

Recommendations

We recommend that the Chief Financial Officer, the Associate Administrator for the Office of International Trade, and the Chief Operating Officer collaboratively:

1. Implement corrective actions to ensure consistency in financial reporting within SBA.

We recommend that the Chief Financial Officer:

2. Develop and implement a process to ensure that SBA submits timely, complete, and accurate data in USAspending.gov.

¹⁰ Public Law 109-282, The Federal Funding Accountability and Transparency Act of 2006 (September 2006).

¹¹ SBA Form 1223, Approval List.

Finding 2: OIT Could Improve Its Oversight of Grant Recipients' Use of Funds

We reviewed 15 STEP grants and found the following:

- Eight grant recipients primarily spent program funds on export trade show exhibitions, foreign trade missions, other export initiatives, and non-activity related Federal expenses, but only three successfully reached OIT's spending threshold.^{12,13}
- Seven grants lacked supporting documentation to determine how the grant recipients spent program funds.¹⁴

The STEP grant program announcement required grant recipients provide quarterly and final reports to OIT. For the first 2 program years, OIT did not enforce this requirement or establish consistent reporting standards, as previously reported in SBA OIG report 12-21.¹⁵ Although OIT implemented improved reporting and monitoring procedures in FY 2014, OIT officials could better manage the grant recipient's progress in achieving the grant milestones and spending targets by increasing their oversight procedures. On average, grant recipients did not use over 25 percent of their awarded funds. By not expending the full amounts, grant recipients may have lost opportunities to increase the number of small businesses exporting or increasing small business export sales, thus not maximizing the potential of the STEP grant program.

Grant Recipients' Use of Funds by Activity Category

OIT's improved reporting requirements for the FY 2014 performance progress reports requires grant recipients to categorize their expenditures by eight designated export activities, as designated in the Act.¹⁶ For example, North Carolina spent 79 percent of its Federal funds on export trade show exhibitions. These activities included a Boat Show in Cartagena De Indias, Columbia, and an International Furniture Expo in Shanghai, China. North Carolina reported the Expo attendance resulted in a signed distributor contract to showcase their product in 400 stores. Another grant recipient, Mississippi, spent 63 percent of its funds on foreign trade missions. These activities included business development missions to Mexico, the Caribbean, South Africa, and Canada among other locations. Further, Hawaii spent 46 percent of its funds on other export initiatives, which included scholarships and cost sharing programs. (See Table 2 for itemized expenditure ratios.)

While four of the grants we reviewed expended funds on other export initiatives, we found the grant files did not contain evidence of receiving the required prior approval from the AA/OIT.¹⁷ According to OIT officials, the Director of OIT briefed the AA on the proposals prior to submitting the application packages to OGM for award. However, this meeting was informal and not documented. Therefore, SBA could not assure that funds spent by the grant recipients in this category received the required prior approval.

¹² SBA awarded the eight grants during FYs 2014 and 2015.

¹³ OIT program officials used a generally accepted spending threshold of at least 85 percent to measure whether a grant recipient successfully expended their Federal funds.

¹⁴ SBA awarded the seven grants during FYs 2011 and 2012.

¹⁵ SBA OIG Report 12-21, *The SBA Needs to Improve Its Management of the State Trade and Export Promotion Grant Program* (September 2012).

¹⁶ As required by the reporting requirements in the 2014 and 2015 program announcements Section VI and Public Law 111-240, Small Business Jobs Act of 2010, Section 1207 (b) (February 24, 2016).

¹⁷ As required by the reporting requirements in the 2014 and 2015 program announcements Section VI and Public Law 111-240, Small Business Jobs Act of 2010, Section 1207(b)(8) (February 24, 2016).

Table 2. How States Expended Funds

Grant Recipient	FY	Percentage of Federal Funds Spent on Program Activities								
		1. Foreign trade mission	2. Foreign market sales trip	3. Subscription to services provided by the Dept. of Commerce	4. Payment of website translation fees	5. Design of international marketing media	6. Export trade show exhibition	7. International trade training workshops	8. Other export initiative approved by the AA/OIT	Non-activity related Federal expenses
Utah	2014	1%	0%	17%	0%	0%	58%	2%	0%	22%
Minnesota	2014	41%	0%	0%	0%	5%	17%	1%	0%	36%
Mississippi	2014	63%	0%	0%	0%	0%	6%	0%	20%	11%
North Carolina	2014	0%	0%	0%	0%	0%	79%	1%	3%	17%
Hawaii	2015	0%	0%	0%	0%	0%	38%	16%	46%	0%
Maryland	2015	0%	0%	5%	0%	0%	55%	0%	40%	0%
Puerto Rico	2015	10%	0%	0%	0%	21%	68%	0%	0%	0%
Wisconsin	2015	43%	0%	0%	0%	0%	17%	13%	27%	0%
Average		20%	0%	3%	0%	3%	42%	4%	17%	11%

Source: OIG generated based on grant recipient performance progress reports, SBA Form 1223s, SF-270s, SF-425s, and closeout documentation.

OIG also found that four of the grant recipients reported expending program funds for purposes other than the eight designated export activities. According to OIT officials, the non-activity related Federal expenses category encompasses personnel, fringe benefits, supplies, and travel. Minnesota spent 36 percent, Utah spent 22 percent, North Carolina spent 17 percent, and Mississippi spent 11 percent of their awarded Federal funds on these types of expenses. According to OIT, not every state consistently reports personnel, fringe benefits, supplies, and travel; often these are included as part of the non-Federal matching contributions.

Grant Recipients Are Not Fully Using Federal Funds Awarded

Of the eight grants that had supporting documentation showing how the grant recipients spent program funds, only three grant recipients used more than 85 percent of the funds awarded.¹⁸ According to OIT officials, the program managers track each grant recipient’s use of funds quarterly and provide feedback when the grant recipients are not reaching expenditure milestones. Despite this effort, for the four FY 2014 grants we reviewed, the grant recipients spent an average of 68 percent of the Federal funds awarded. Likewise, for the four FY 2015 grants we reviewed, the grant recipients spent an average of 78 percent (see Table 3). As a result, these grant recipients did not use over \$1.1 million of their awarded funds.

¹⁸ OIT program officials used a generally accepted spending threshold of at least 85 percent to measure whether a grant recipient successfully expended their Federal funds.

Table 3. Percentage of Funds Used by State

State	Award Amount	Amount Expended	Percentage of Funds Used
FY 2014			
Utah	\$500,000	\$377,823	76%
Minnesota	\$471,529	\$192,272	41%
Mississippi	\$461,251	\$307,967	67%
North Carolina	\$500,000	\$437,165	87%
Totals	\$1,932,780	\$1,315,227	68%
FY 2015			
Hawaii	\$750,000	\$713,013	95%
Maryland	\$518,413	\$411,558	79%
Puerto Rico	\$288,650	\$268,858	93%
Wisconsin	\$712,000	\$384,328	54%
Totals	\$2,269,063	\$1,777,757	78%
Source: OIG generated based on OIT records of the notice of award, request for reimbursement, and verified to the closeout document.			

Grants with Undetermined Activity

None of the seven FYs 2011 and 2012 STEP grant files that we reviewed had an entire year of quarterly reports available to determine how grant recipients used the funds. According to OIT officials, in FYs 2011 and 2012, SBA did not have defined program management procedures for the STEP grant program. Specifically, according to OIT officials, previous OIT program managers did not consistently monitor the grant recipient’s performance. Additionally, OIT did not require grant recipients to use a standard reporting template for tracking quarterly reports during the first 2 years of the program.

OGM officials also explained that the grant files were incomplete because they lost documentation during OGM’s implementation of an electronic records system. Therefore, we could not determine whether the grant recipients used the Federal funds for the intended purposes of the STEP grant program for FYs 2011 and 2012.

We identified SBA’s documentation and program management issues in our prior report of SBA’s management of the STEP program.¹⁹ Based on our recommendations, the Agency implemented, among other things, a reporting mechanism to track how the grant recipients used the funds. Starting in FY 2014, SBA required the grant recipients to report how they expended Federal funds within nine cost categories.²⁰ As a result, OIT officials monitored grant recipients’ use of funds more consistently in FYs 2014 and 2015 as evidenced by available documentation.

¹⁹ SBA OIG Report 12-21, *The SBA Needs to Improve Its Management of the State Trade and Export Promotion Grant Program* (September 2012).

²⁰ The nine cost categories include the eight statutorily defined activities as well as the non-activity related Federal expenses.

Conclusion

Congress authorized the STEP grant program to assist states in promoting the export and expansion of trade opportunities. The award of those grant funds encourages states to create programs that include activities that assist eligible small businesses in achieving this goal. However, in five of the eight grants we reviewed that had supporting documentation showing how the grant recipients spent program funds, the grant recipients were unsuccessful in spending the majority of the funds. This indicates that the STEP grant program may not be fully meeting SBA's established performance goals for this program's success.

Recommendation

We recommend that the Associate Administrator for the Office of International Trade:

3. Establish and document oversight procedures to ensure that the STEP program managers effectively monitor the grant recipient's progress in meeting targeted milestones.

Analysis of Agency Response

SBA management provided formal comments that are included in their entirety in Appendix II. SBA management agreed to implement the recommendations by October 1, 2017.

Summary of Actions Necessary to Close the Report

The following provides the status of the recommendations and the necessary action to close the recommendation.

1. **Resolved.** The Chief Financial Officer, Chief Operating Officer, and Deputy Associate Administrator for OIT concurred with our recommendation and plan to complete final action on this recommendation by October 1, 2017. This recommendation can be closed when SBA provides evidence that it developed a process to ensure consistency in financial reporting in Federal assistance awards (grants).
2. **Resolved.** The Chief Financial Officer concurred with our recommendation and plans to complete final action on this recommendation by October 1, 2017. This recommendation can be closed when SBA provides evidence it developed and implemented a process to ensure that SBA submits timely, complete, and accurate data in USAspending.gov.
3. **Resolved.** The Deputy Associate Administrator for OIT concurred with our recommendation and plans to complete final action on this recommendation by October 1, 2017. This recommendation can be closed when SBA provides evidence that it has established and documented oversight procedures to ensure that the STEP program managers effectively monitor the grant recipient's progress in meeting targeted milestones.

Appendix I: Objective, Scope, and Methodology

The objective of our review was to determine how the funds for the STEP grant program were used.

Our scope included all STEP grant awards for FYs 2011, 2012, 2014, and 2015. To achieve our objective, we reviewed the STEP grant award and expenditure totals for the 4 program years provided by the OCFO, OGM, and OIT. We also queried USAspending.gov to determine the amount reported by SBA for the STEP grant program. In addition, we judgmentally selected 15 STEP grant awards. Specifically, our sample included three awards from FY 2011 and four awards each from FYs 2012, 2014, and 2015, based on high dollar totals and assessed risk, to determine how the grant recipients used the Federal funds (see Table 4).

Table 4. Judgmentally Selected Grant Award Recipients

Fiscal Year	State	Total Award
2011	California	\$2,540,924
2011	Washington	\$1,591,919
2011	Pennsylvania	\$1,710,904
2012	Michigan	\$2,186,907
2012	Ohio	\$1,297,598
2012	Illinois	\$1,069,279
2012	New York	\$625,591
2014	North Carolina	\$500,000
2014	Minnesota	\$471,529
2014	Mississippi	\$461,251
2014	Utah	\$500,000
2015	Hawaii	\$750,000
2015	Wisconsin	\$712,000
2015	Maryland	\$518,413
2015	Puerto Rico	\$288,650
Total Funds Awarded:		\$15,224,965.00
Source: OIG generated list of judgmentally selected awards based on documentation provided by OIT.		

For each grant award selected, we reviewed the special terms and conditions; SBA Form 1222, Notice of Award; SF-PPR, Performance Progress Report; SBA Form 1223, Approval List, which serves as the obligation document; SF-270, Request for Advance or Reimbursement; SF-425, Federal Financial Report; and the closeout documentation for each of the judgmentally selected states. We also reviewed the STEP program announcements for each applicable FY. For each grant award, we compared the grant recipient's activities reported on the performance progress report to the designated export activities identified on the applicable program announcement. We did not review the supporting records for the grant expenditures, and we did not determine whether the expenditures were allowable, allocable, or reasonable.

Additionally, we interviewed personnel from the OIT, OGM, OCFO, and Denver Finance Center to gain an understanding of the SBA grant process. We also obtained an understanding of laws, regulations, and SBA policies and procedures regarding in STEP grant program as a basis for our review.

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we

adequately plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objective.

Use of Computer-Processed Data

Because of the inconsistencies in the financial reporting data, we were unable to rely on the computer-processed data that SBA generated from the payment system and the grants management system, as well as the data SBA reported in USAspending.gov.²¹

²¹ SBA uses Joint Accounting and Administrative Management System as their payment system.

SBA
CHIEF FINANCIAL OFFICER,
CHIEF OPERATING OFFICER, AND
DEPUTY ASSOCIATE ADMINISTRATOR,
OFFICE OF INTERNATIONAL TRADE
RESPONSE TO EVALUATION REPORT



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

DATE: April 28, 2017

TO: Riccardo R. Buglisi
Office of Inspector General (OIG)

FROM: Timothy E. Gribben
Chief Financial Officer

Joseph P. Loddo
Chief Operating Officer

Eugene Cornelius, Jr.
Deputy Associate Administrator for Office of International Trade

SUBJECT: Review of SBA's State Trade and Export Promotion Grant Program

Thank you for the opportunity to respond to the Draft Report of the State Trade and Export Promotion Grant Program (STEP). The objective of the Review was to determine whether STEP complied with grant requirements related to Federal expenditures and program performance.

The Office of the Chief Operating Officer (OCOO), the Office of International Trade (OIT), and the Office of Chief Financial Officer (OCFO) concur with Office of Inspector General's recommendations. The COO, OIT and CFO will improve the internal controls, processes, and procedures to manage Federal assistance awards (grants).

Below please find the Agency's response to each of the recommendations outlined in the Draft Report.

Recommendation 1: *Implement corrective actions to ensure consistency and financial reporting within SBA.*

Explanation of Proposed Action:

Concur. The OCOO, OIT, and OCFO will develop a process to ensure consistency in financial reporting in Federal assistance awards (grants).

Projected Completion Date: October 1, 2017

Recommendation 2: *Develop and implement a process to ensure that SBA submits timely, complete and accurate data in USA Spending.gov.*

Explanation of Proposed Action:

Concur. The OCFO will develop and implement a process to ensure that SBA submits timely, complete, and accurate data in USA Spending.gov.

Projected Completion Date: October 1, 2017

Recommendations 3: *Establish and document oversight procedures to ensure that the STEP program managers effectively monitor the grants recipients, progress in meeting targeted milestones.*

Explanation of Proposed Action:

Concur. OIT will establish oversight procedures to effectively document and monitor grants recipients' performance in meeting their targeted milestones.

Projected Completion Date: October 1, 2017