

**AUDIT OF GRANT DISBURSEMENTS TO WOMEN'S
BUSINESS CENTERS**

Report Number: 8-05

Date Issued: November 20, 2007

**Prepared by the
Office of Inspector General
U. S. Small Business Administration**



U.S. Small Business Administration
Office Inspector General

Memorandum

To: Anoop Prakash, Associate Administrator,
Office of Entrepreneurial Development

Date: November 20, 2007

Darryl Hairston, Deputy Associate Administrator,
Office of Management and Administration
/S/ original signed

From: Debra S. Ritt
Assistant Inspector General for Auditing

Subject: Report on the Audit of Grant Disbursements to Women's Business Centers
Project No. 7022

This report presents the results of our audit of the award and disbursement of grants to Women's Business Centers (WBCs) by the Small Business Administration (SBA). These centers provide training, mentoring, and counseling to women who are nascent entrepreneurs and established business owners.

The audit was conducted in response to a May 9, 2007, request from the Senate Committee on Small Business and Entrepreneurship to investigate the extent of delays with the grant disbursement process and to make recommendations for improvements. The Committee had received complaints from WBC leaders about difficulties they encountered in applying for grants and receiving funds once the grants were awarded. The objectives of our audit were to (1) determine the extent of delays in the disbursement of grants to WBCs, and (2) identify improvements needed to expedite disbursements. We also conducted a brief review of the WBC grant award process to identify opportunities to streamline grant awards.

To determine the extent of disbursement delays, we analyzed payment data from SBA's Denver Finance Center for fiscal years (FY) 2004 to 2007. We surveyed 21 of the 99 WBCs currently in the program about their experiences and received responses from 18. We also interviewed officials from SBA's Office of Women's Business Ownership, the Division of Procurement and Grants Management, and district offices.

We conducted our audit from May 2007 to September 2007 in accordance with *Government Auditing Standards* as prescribed by the Comptroller General of the

United States. A more detailed description of our audit objectives, scope and methodology is provided in Appendix I.

BACKGROUND

The WBC program was established by Congress in 1988 and has been re-authorized several times since its inception.¹ The purpose of the program is to assist in the development and maintenance of businesses owned and controlled by women. Under the WBC program, eligible private nonprofit organizations can obtain Federal grants to create and operate centers to provide training, mentoring, coaching, and counseling to women who own businesses or who are contemplating business ownership. The centers are financed by SBA grants, as well as matching funds from non-federal sources. During FY 2007, there were 99 centers participating in the WBC program.

SBA awards two types of grants to WBCs—new grants that are competitively awarded annually and funded for up to five years, and sustainability grants, which provide funding for another five-year period. Previously, WBCs that graduated from the program were no longer eligible for grant funding after completing the combined 10-year grant period. On May 25, 2007, however, new legislation gave SBA the authority to renew sustainability grants for additional three-year periods without limitation on the number of times a sustainability grant could be renewed. Congress appropriates grant funding for the program, and designates, in the appropriation language, the percentage of funds to be applied for sustainability grants. For each of the past five years, the WBC program has been appropriated about \$12 million after rescissions.

WBCs must first apply to participate in the WBC grant program. Once approved for an award, WBC grant recipients are required to resubmit a budget based on funding. After the budget is approved, WBCs may make requests for advance payments or for reimbursement of expenses incurred during the grant program period (September 30th through September 29 of the following year)². Detailed payment request information is contained in a *Budget & Pay Request Handbook* and *Programmatic Reporting Requirements Handbook*. These handbooks are updated annually to reflect new requirements, and distributed to WBCs attending mandatory training that is conducted just after awards are made. The handbooks address how to properly complete payment requests, and identify the required

¹ Authorizing legislation for the program includes the Women's Business Development Act of 1991, Small Business Reauthorization Acts of 1994 and 1997, Women's Business Center Act Amendments of 1999, and the Women's Business Center Sustainability Act of 1999.

² WBCs cannot receive grant disbursements prior to the start date of the grant year.

budget and reimbursement documentation needed to ensure smooth processing by SBA of the grant disbursement.

The WBC program is currently administered by two SBA offices. The Office of Women's Business Ownership (the program office) monitors WBC operations and receives the centers' payment requests.³ SBA's Division of Procurement and Grants Management (the grants office) is responsible for awarding the grants and approving payment requests from WBCs to draw down their awarded funds. Additionally, both offices are involved in reviewing payment requests from WBCs. During FY 2007, SBA administered 48 grants⁴ that were in their first five years of funding and 51 sustainability grants, and processed over 500 requests for payment from the FY 2006 appropriation. In September 2007, SBA awarded six new grants from the FY 2007 appropriation, but had not yet awarded the new sustainability grants or paid existing grantees seeking option-year funding. WBCs, therefore, will receive the FY 2007 grant disbursements in FY 2008.

RESULTS IN BRIEF

Based on FY 2006 disbursement data (which relates to the most recent round of payments), only about 25 percent⁵ of WBC payment requests involving both regular and sustainability grants were disbursed within the Office of Management and Budget's (OMB)⁶ goal of 30 days from receipt of the payment request. The remaining 75 percent were disbursed between 30 and 353 days after receipt of the payment request. While SBA met the 30-day goal for almost 40 percent of the payment requests received in FY 2005, two requests took almost a year (340 days) to disburse. We were unable to determine what percentage of these delays were caused by SBA's untimely processing of the requests versus WBCs' submittal of payment requests that did not follow program guidance.

Some WBCs that have experienced delays told us they had to lay off staff and abandon vendors to stay in business. They also had to turn to other financial sources, such as their parent organizations and bank lines of credit, to supplement their cash flows to sustain their operations due to uncertainties over receiving

³ This function was completed by District Office Technical Representatives (DOTRs) and the grants office until March 2007. At that time, the program office decided to receive requests and make recommendations for payment. In March 2007, the program office removed the DOTRs from of the process in an attempt to streamline the processing WBC payments.

⁴ Of the 48 grants, 19 were awarded to new WBCs.

⁵ Delays were calculated based on the signed WBC payment request dates, and not the dates that requests were received by SBA. This is because, until recently, the program office did not keep track of when a complete pay request was accepted for review.

⁶ Office of Management and Budget Circular A-110, states that when a reimbursement method is used, the Federal awarding agency shall make payment within 30 days after receipt of the billing unless the billing is improper.

timely grant disbursements. A summary of WBC responses to our survey is provided in Appendix III.

The audit disclosed that delays occurred in grant disbursements because:

- The Agency's interpretation of the payment requirements changed throughout the fiscal year and changes were not properly communicated to WBCs, which resulted in inaccurate or incomplete submissions by WBCs. While not all errors and omissions may have been associated with changing Agency guidance, we identified many instances where requests were rejected for missing information not identified in program handbooks.
- Payment requests were rejected before both SBA offices had performed a complete review of the submissions, causing WBCs to submit their paperwork multiple times, and triggering restarts of the Agency's payment approval process. This also created opportunities for the paperwork to become lost in transit. Payment rejections also caused cascading delays in the approval of subsequent payment requests.
- When payment requests were rejected, the entire original package, and corrected versions were mailed back and forth between SBA and the WBCs instead of only correcting the document(s) affected. SBA also held up the entire payment regardless of the size of the error.
- The Agency lacked an integrated tracking mechanism to identify when the payment request was received, where it was in the review process, and whether a disbursement had been made within OMB's 30-day requirement.

Most of these reasons were a consequence of poor coordination and communication between the two SBA offices that processed payment requests. The inability of these offices to work in an integrated fashion, combined with flaws in the payment process, largely caused paperwork to be rejected or lost. However, not all of the delays were SBA's responsibility as some WBCs did not follow Agency guidance when submitting their paperwork. Without reviewing each payment request in detail, we could not determine the extent to which WBC errors or omissions contributed to the delays.

While we were reviewing disbursements, we also noted inefficiencies in SBA's process for awarding grants to WBC. These involved the lack of a timely announcement of the grant opportunity and the processing of awards for established WBCs at the same time as new entrants.

The Offices of Entrepreneurial Development and Management and Administration reviewed and provided formal comments to this report, generally agreeing with the findings and recommendations. We have summarized management’s comments at the end of this report and included their complete responses in Appendix IV.

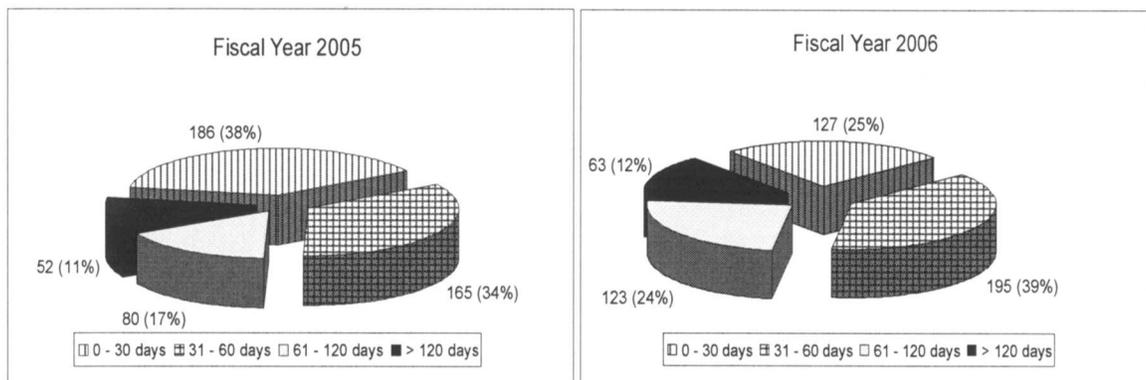
RESULTS

Widespread Delays Occurred in the Disbursement of FY 2005 and FY 2006 Grants

In FY 2006, SBA disbursed over 500 payments to WBCs for both new and sustainability grants, but only 127—about 25 percent—were made within OMB’s goal of 30 days. The remaining 75 percent of the grants were disbursed between 30 and 353 days from when SBA received the payment request.

Delays were also experienced in FY 2005, but as shown in Figure 1, the timeliness of grant payments declined from FY 2005 to FY 2006. About 40 percent of the grants were disbursed within 30 days in 2005 compared to 25 percent in 2006. We were unable to determine what percentage of these delays were caused by SBA’s untimely processing of the requests versus WBCs not following program guidance in submitting their paperwork.

Figure 1. Timeliness of WBC Grant Disbursements in 2005 and 2006^a



^aThe figure above represents the length of time from when WBCs submitted their payment requests to SBA to when SBA paid the requests during FYs 2005 and 2006, respectively.

The audit also disclosed that several WBCs experienced delays so extreme that they were forced to seek funding elsewhere while attempting to resolve matters with SBA. For example, in FY 2006, it took 300 days for one WBC to receive payment, and 353 days for another. Extreme delays also occurred in FY 2005 when SBA took 340 days to pay two WBCs.

Delays caused some WBCs to lay off staff, abandon vendors, and curtail operations to stay in business. They also had to seek funding elsewhere, such as from parent organizations and bank lines of credit, while attempting to resolve matters with SBA.

Payment Delays Were Largely Attributable to the Lack of Coordination and Communication between SBA's Program and Grants Offices

Delays in disbursing grant funds largely occurred for several reasons:

- The Agency's interpretation of the payment requirements changed throughout the fiscal year and changes were not properly communicated to WBCs, which resulted in inaccurate or incomplete submissions by WBCs. While not all errors and omissions may have been associated with changing Agency guidance, we identified many instances where requests were rejected for missing information not identified in program handbooks.
- Payment requests were rejected before both offices had performed a complete review of the submission, causing WBCs to submit their paperwork multiple times, and triggering restarts of the Agency's payment approval process. This created opportunities for the paperwork to become lost in transit. Payment rejections also caused cascading delays in the approval of subsequent payment requests.
- When payment requests were rejected, the entire original package, and corrected versions were mailed back and forth between SBA and the WBCs instead of only correcting the document(s) affected. SBA also held up the entire payment regardless of the size of the error.
- The Agency lacked an integrated tracking mechanism to identify when the payment request was received, where it was in the review process, and whether a disbursement had been made within OMB's 30-day requirement.

The Agency's Interpretation of the Payment Requirements Changed after Grant Award

One reason that delays occurred in grant disbursements was because SBA's interpretation of the payment requirements changed throughout the year. The program office and the grants office differed in their understanding of the information that WBCs must submit to get paid, and provided WBCs with inaccurate information. For example, during our review of one WBC's extensive delays with payment requests, the program office and the grants office openly

differed in their interpretation of the required supporting documentation. The program office was satisfied with audit report copies; however, the grants office required documents with original signatures. It took over 300 days to pay the request.

In another example, one WBC submitted a payment request three separate times in response to conflicting instruction from the two SBA offices, resulting in a 4-week delay in receiving payment. The two offices had a different understanding about how to report the cost of staff salary, and repeatedly rejected the WBC's requests, instead of collaborating to determine the correct interpretation. Because of this and other experiences, WBCs were unable to submit payment requests with a consistent expectation that they will be approved by SBA. Other examples are described in Appendix III.

The two offices also did not collaborate fully in the development of requirements for payment requests, which are updated each year to reflect procedural or regulatory changes, and described in the *Budget & Pay Request Handbook* and *Programmatic Reporting Requirements Handbook* distributed to WBCs during mandatory training. According to the program office, this occurred because the grants office generally provided little input and did not contribute substantively to the program office's annual updates of the requirements handbooks, even though its input was solicited by the program office. The grants office, however, told us they had substantively contributed to prior year updates. Regardless of who was correct, open disagreement about the program requirements persists, and has been witnessed by WBCs in training sessions.

Further, after the handbooks were distributed to WBCs and training conducted, the program and grants offices introduced new requirements for payment requests. Consequently SBA has been unable to provide WBCs a comprehensive and accurate set of handbooks to address all of the information needed to process their payment requests. When changes occurred, the new requirements were not always communicated to WBCs in time for them to make required changes to their payment requests nor were the handbooks updated. For example, one WBC had to re-submit its payment request because its paperwork did not adhere to changes SBA made to submittal requirements for itemizing supply and travel expenses, which were not communicated in time for the submittal to be corrected.

We believe that the program and grants offices should not be differing in their interpretations of the payment requirements and should not be introducing new requirements after SBA's annual program guidance is distributed unless absolutely necessary.

Both offices have begun using checklists to assist them in making sure that payment requests are appropriately reviewed. However, each office uses a separate checklist, addressing different aspects of the payment request, as they pertain to their areas of responsibility. Unless these checklists are coordinated, the initial check-in of the payment request by the program office could inadvertently be incomplete. As a result, while the use of checklists is a step in the right direction, a single consolidated checklist, reflecting SBA's entire review and approval process, is needed for each of the SBA offices to consult when performing reviews of payment requests. To that end, the two offices should collaborate on developing a single comprehensive checklist that includes each other's requirements, which should be shared with WBCs to assist them in submitting complete and accurate requests.

In addition to the checklist, a Memorandum of Understanding (MOU) should be developed and signed by both offices to clearly define lines of responsibility and authority and to account for changes to payment requirements. The MOU should also require that both offices collaborate fully and achieve agreement on the contents of the handbooks and other training material before they are disseminated to grantees. Alternatively, if an acceptable agreement cannot be reached, the program office which has sole authority to administer the WBC grant programs, may want to consider removing the grants office from the process by having its own grants specialists or outsourcing the WBC grants management function.

Rejection of Payment Requests Frequently Occurred Before Both the Program and Grant Offices Completed Their Reviews, Creating Multiple Restarts

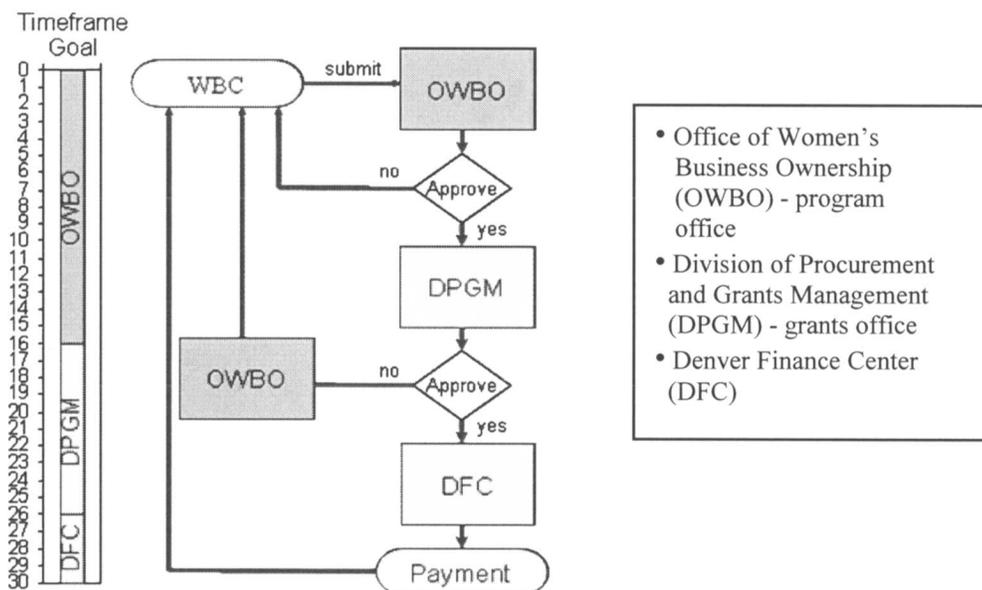
The misunderstanding between the program and grants offices on appropriate requirements for payment requests, combined with the ability of either office to reject the requests, resulted in the denial of payment before both offices had completed their reviews. This caused the re-submittal of paperwork back through the process cycle. The payment approval cycle allows a request to be rejected initially by the program office and returned for correction to the WBC before being reviewed by the grants office. Requests can also be approved by the program office and subsequently rejected by the grants office for return to the WBC.

As illustrated in Figure 2, the processing of payment requests involve sequential reviews by both the program and grant offices. The program office first evaluated the reasonableness of the request based on a comparison of actual costs with previous requests, reviewed supporting documentation for completeness, ascertained the WBC's level of performance, and determined whether the WBC was meeting the requirements for applying matching funds. If the program office found errors or omissions at this stage of the review, or if matching funds were not

being properly applied, SBA returned the entire request package to the WBC by mail for correction. If no errors were found, the program office certified that the request complied with program requirements, and forwarded it to the grants office with a written recommendation for approval.

The grants office performed a more detailed review of the request to ensure that costs were allowable and properly allocated along with the required matching funds, and determined whether costs were reasonable. The grants office was the only office authorized to approve payment requests for disbursement. If there was a problem, the grants office returned the package to the program office for return to the WBC. Once a payment request was approved for disbursement, the grants office communicated with the Denver Finance Center, which then transmitted the funds electronically to the WBC's bank account.

Figure 2. Grants Disbursement Process



Because payment requests could be rejected at any stage of the review cycle, requests were returned to WBCs more than once. For example, the program office noted an error in a payment request made by one WBC and advised the WBC that a correction was needed. After the correction was made, the grants office rejected the request. Consequently, the payment review process did not operate as a continuum the way it should, but rather as two distinct processes exacerbated by a lack of effective communication between the two SBA offices that were responsible for reviewing grant payment requests.

Paperwork rejections also caused a cascading delay in the approval of subsequent payment requests. Rejection of one payment request set the stage for all ensuing payment requests to be held up for payment until the faulty request was corrected. This was because detailed paperwork requirements include past payment information to be provided on all payment requests, and that information was not available until actual payment was made on the preceding submittal. The back-and-forth between program and grant offices also resulted in paperwork getting lost. One WBC told us it had resorted to submitting payment requests with a return receipt because of the number of times its payment requests were lost. Another WBC had to re-submit the same payment request multiple times because the paperwork was lost each time by either the program or grants office.

Payment requests should undergo a complete review by both the program and grants office and the two offices should agree on whether a request is defective before returning rejected requests to the WBCs for correction. That way the entire request is reviewed and returned only once to the WBC to reduce the amount of time the request is sent back and forth between SBA offices and between SBA and the WBC.

Payment Requests Were Returned and Resubmitted through the Mail When Corrections Were Needed and SBA Held up the Entire Payment Regardless of the Size of the Error

Payment requests could be rejected when calculations were incorrect, the billing was determined improper, or the WBC failed to provide the appropriate supporting documentation. When payment requests were rejected for errors or omissions, original paperwork and corrected versions were mailed back and forth between SBA and the WBCs as original signatures were required to process the payments. This generated delays in approving requests for payment, and increased the chances of paperwork becoming lost in transit between SBA and the WBCs. For example, a payment request for one WBC was rejected because of a missing original signature, and another for failure to submit original audit documentation. Delays in processing the payment requests were incurred as the original paperwork and corrected version were mailed back and forth between SBA and the WBC.

We also found that SBA returned the entire payment request to the WBC no matter how small the error. For example, the program office approved a payment request for one WBC, and the grants office rejected it over a \$30 expense that was not itemized on the pre-approved budget. SBA held up the entire payment due to this error when it could have awarded all funds but the \$30 in question.

SBA grants officials told us that although WBCs attend annual training on the grants program, some WBCs had non-finance staff to attend the training, which contributed to submittals of incomplete or incorrect paperwork due to calculation errors, causing their requests to be rejected. One WBC was able to reduce the potential for errors by employing automation programs to duplicate the federal forms and perform calculations.

Automating the payment request forms, and allowing requests to be made on-line would go a long way to eliminating the errors and omissions that can occur when filling out complex forms, would expedite receipt of the requests/resubmissions by WBCs, and prevent requests from being lost in the mail.

SBA's grants office has already developed and implemented this capability for other grant programs. For these programs, the required electronic forms for payment requests are available on the SBA grants office website, and can be filled out online. The forms contain instructions accessible by moving the cursor over each field, and are more intuitive to complete than the current paper forms. The program also checks for mathematical errors, and does not allow the user to proceed until all required fields are completed. This eliminates the potential for incomplete payment request packages. Changes to the forms are readily made and downloaded to the website. In addition, training can be developed, updated and made accessible on the web anytime it is needed, ensuring that changes to requirements are communicated to all WBCs timely and removing the requirement for costly travel to obtain instruction that may become outdated in the future.

SBA Lacks an Effective Tracking System for Monitoring the Status of Pay Requests

We found that SBA also did not have an effective tracking mechanism to identify when a payment request was received, where it was in the process, or whether it met the OMB 30-day disbursement requirement. The grants office maintained a log that tracked the receipt of payment requests from the program office until they were forwarded to the Denver Finance Center for payment. In March 2007, the program office established a payment request log to document when requests were received from WBCs. However, because the logs were separate, SBA could not capture the complete movement of the pay request through the full review and approval cycle. For example, when the grants office rejected a request and returned it to the program office, the program office did not always communicate back to the grants office acknowledging that it had received the request. As a result, the grants office sometimes did not know what happened to the request after it was returned to the program office.

Also, without a combined tracking system, neither office was aware that a payment request was overdue for approval. WBCs also could not determine its

status without repeated phone calls to different officials. Although WBCs generally experienced polite and professional responses to their telephone inquiries, SBA officials were unable to explain the reason(s) for delays in payment approval.

Even an approved payment request was difficult to track. This was because payment information did not include a reference to the WBC's submittal number, but rather to an SBA database tracking number that bears no relevance to the WBC's request, other than the payment amount. However, because payment requests could be submitted for similar amounts, even this identifier could not be used with confidence to determine which payment request had been disbursed. As a result, accounting services were required to figure out which payment request belonged to which invoice.

Finally, there was no central accountability for WBC customer service although the two SBA offices shared grant award and administration responsibilities. Instead, WBCs were referred back and forth from one office to the other for a determination of the status of their payment requests and resolution of problems.

Establishing a centralized and automated payment request tracking log and/or automating the payment request process would allow SBA to better monitor where payment requests are in the approval process so that it can manage the timeliness of its payment reviews. It would also add transparency and accountability to the process, as it would enable the Agency to measure the performance of the program and grants office against OMB's 30-day goal for disbursements. Finally, it would also allow SBA to better respond to WBC inquiries about the status of their payment requests. If SBA could post its tracking system on its website where WBCs can review them, it would potentially eliminate the need for WBCs to seek status information through phone inquiries. Finally, automating the process can help alleviate staff workload by simplifying submittal receipt and tracking, and by promoting better consistency in the documentation.

OTHER MATTERS

While we were reviewing disbursements, we noted opportunities to streamline SBA's process for awarding WBC grants. These involved the lack of a timely announcement of the grant opportunity and the processing of awards for established WBCs at the same time as new entrants.

SBA Delays Announcement of the Grant Opportunity Until Funds Are Appropriated

We noted a fiscal-year interval exists between Congressional appropriations and grant awards, resulting in appropriations from one year being used to fund activities in the next year. This occurs because SBA delays posting of the grant opportunity until it receives its appropriations, which typically occurs in the second quarter of the fiscal year (March). The practice of delaying the grant announcement was established by Agency regulations⁷ that prohibit SBA from entering into a contract without advance appropriations. However, since SBA does not enter into a contractual relationship until the time of grant award, it is not precluded from announcing the grant opportunity at the beginning of the fiscal year (in October or November). Theoretically, SBA could announce the grant opportunity, review WBC proposals, and make preliminary selection of grant recipients all before it receives its appropriation.

Delays in announcing the grant opportunity were also attributable to lengthy and sequential reviews conducted by SBA's program office, grants office, and counsel. Each year's appropriation language is reviewed by these offices to determine if program requirements have changed, and to identify funding levels for that year. These reviews generally take up to three months as one office has to complete its review before the next office's review can begin. Once the legislative review is completed, the program office takes about one month to develop the announcement, and then submits it for review by the grants office and legal counsel. These reviews take another month, after which the announcement is posted on grants.gov for 30 days.⁸ A more detailed description of the grant award process is provided in Appendix II.

We believe SBA can reduce the amount of time it takes to review the appropriations legislation and grant announcement if the various SBA reviewing offices concurrently review the legislation. Further, based on a review of the last three fiscal years' appropriations, substantive changes have not been occurring in program requirements to necessitate such an extensive review. We also believe that the grant announcement is generally boilerplate and does not require significant review from one year to the next.

Officials told us that they are reviewing their current grant award and disbursement process in an effort to accelerate grant payments. They agreed that it is possible to announce the grant opportunity earlier in the fiscal year and to reduce the time it takes to review grant announcements before they are posted.

⁷ 15 U.S.C. Section 656 (s) 29 (i).

⁸ Due to technical difficulties with the web site in FY 2007, the announcement remained posted from April 15 to June 15, 2007 (60 days).

Grant Awards for Returning WBCs Seeking Option Year Funding Are Processed at the Same Time as New Applicants

Although WBCs that have been previously approved for a regular or sustainability grant are not required to compete for subsequent year funding, we found that SBA reviews annual proposal plans and budgets from these WBCs at the same time as new entrants. Unless the plan pre-approved by SBA has changed for the WBCs seeking optional year funding, SBA only needs to evaluate the WBC's performance and budget. As a result, SBA could determine grant awards earlier in the year (as soon as the agency's appropriation is approved). Then grantees could seek payment after the Agency has received its appropriations. Placing all returning grantees on the same evaluation schedule as new entrants requires the expenditure of substantial resources, for example, to evaluate potentially over 100 performance plans and budgets every year, and unnecessarily delays returning grantees from requesting payment earlier in the year.

RECOMMENDATIONS

To ensure grant funds are disbursed more timely, we recommend that the Associate Administrator for Entrepreneurial Development, in conjunction with the Office of Management and Administration:

1. Enter into a Memorandum of Understanding (MOU) requiring collaborative development of criteria and an interpretation of payment requirements for complete and appropriate submittals, agreement on criteria changes, and agreement on respective roles and responsibilities in rejecting payment requests. If an acceptable agreement cannot be reached, the program office, which has sole authority to administer the WBC grant program, may want to consider either placing grants specialists within the program office or outsourcing the WBC grants reimbursement function.
2. Annually develop and provide WBCs a consolidated checklist of payment requirements and supporting documentation to ensure payment requests are complete.
3. Establish a change control process to prevent or minimize changes made to payment requirements after the grant award, and to ensure that handbooks and information required on the payment request forms are appropriately updated.

4. Automate the payment request review and approval process to the fullest extent possible. Leverage existing grants office automation capabilities and apply them to the WBC grants, tailoring the process as needed to meet the requirements of both SBA offices as contained in the signed MOU. In the meantime, ensure that all issues are identified before returning the payment requests for correction so that WBCs only have to submit one set of corrections.
5. Permit WBCs to provide missing, incomplete or incorrect sections of their payment requests so that the complete request package does not have to be returned to WBCs and resubmitted to avoid restarts of the payment review process. Also disburse all funds except those costs that are in question to enable WBCs to get partial payments until their requests can be fully resolved.
6. Enable web access by WBCs to the training, handbooks and program changes.
7. Develop and post a complete log of payment review events on a secure password-protected website for viewing by WBCs and both SBA's program and grants offices, so that WBCs can determine the status of their pay requests and can match their requests to specific invoices, and so the Agency can monitor the timeliness of processing actions.

To streamline grant awards, we recommend that the Associate Administrator for Entrepreneurial Development:

8. Announce the grant opportunity in the first quarter of each new fiscal year.
9. Institute concurrent reviews of the appropriations language and grant announcement by the program, grants and counsel offices to reduce the time it takes to review each year's appropriation language and the grant announcement.
10. Adjust the schedule of the proposal review to match the type of grant candidate so that resources are more efficiently assigned and to expedite awards.

AGENCY COMMENTS

On September 18, 2007, we provided the Associate Administrator for Entrepreneurial Development (OED) and the Deputy Associate Administrator of the Office of Management and Administration (OMA) with a draft of this report for their review and comment. Both offices provided technical comments, which we have incorporated into the final report, as appropriate. On October 19, 2007, the agency provided its formal written comments. The full text of the comments can be found in Appendix IV of this report.

The Associate Administrator for OED concurred with all of our recommendations, and described current actions to improve the process; however, he noted that the actions are a work-in-progress, and will be adapted as necessary.

The Associate Administrator for OED stated that a joint team has been formed between the Office of Women's Business Ownership and the Division of Procurement and Grants Management to address issues and recommendations outlined in this report. Specifically, the joint team proposes to collaboratively develop criteria and interpret payment requirements for complete appropriate submittals, criteria changes, and respective roles and responsibilities; explore automation opportunities; and examine the feasibility of partial disbursements. In addition, OED will update and post the *Budget & Pay Request Handbook* on the web, and revise the program announcement and grant making- reviewing process.

The Deputy Associate Administrator for OMA partially concurred with our first recommendation and fully concurred with our remaining six recommendations addressed to that office.

Our first recommendation advised both offices to either enter into a Memorandum of Understanding or pursue alternative means of administering the grants. However, the Deputy Associate Administrator for OMA disagreed with placing grant specialists in the program office because it would be inconsistent with the Agency's oversight and management practices. Because OED and not OMA has sole responsibility for administering the grant program and is rapidly exploring an automation opportunity with the Department of Health and Human Services, we consider OED's response to satisfy the intent of the first recommendation. In addition, we changed our seventh recommendation to reflect that a complete log of payment review events should be on a secure, password-protected website for viewing.

OFFICE OF INSPECTOR GENERAL RESPONSE

We find OED's and OMA's proposed actions and action target dates to be acceptable.

We appreciate the courtesies and cooperation of the Small Business Administration representatives during this audit. If you have any questions concerning this report, please call me at (202) 205-[**Exemption 2**] or Heidi Leineweber, Director, Government Contracting and Business Development Programs Group, at 202-205-[**Exemption 2**].

APPENDIX I. OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of this report were to (1) determine the extent of delays in the disbursement of grants to Women’s Business Centers (WBC), and (2) identify improvements needed to expedite disbursements.

To obtain an overview of the history, funding, organizational structure, and issues associated with the WBC Program, we conducted interviews with the Directors and staff of the Small Business Administration’s (SBA) Office of Women’s Business Ownership (program office) and Division of Procurement and Grants Management (grants office). We also reviewed and analyzed financial data showing funding for all the centers obtained from the program and grants offices. We discussed the results of our analyses with officials from the program and grants offices.

To determine the extent of delays in the disbursement of grants awarded to WBCs, we reviewed program data (including the number of WBCs awarded grants and the type of grants) obtained from the program office. We reviewed SBA policies and procedures related to section 29 of the Small Business Act—the provisions for the WBC program. We judgmentally selected and surveyed 21 WBCs to obtain an understanding of the extent and impact of the delays experienced by the centers. We received survey responses from 18 WBCs. We also interviewed management staff in both the program and grants offices to determine the processes for requesting and paying a grant disbursement and for coordinating responsibilities. In addition, we reviewed program handbooks,⁹ which included duties of the program and grant offices as they relate to the WBC program, the template notice of grant award, and the specific Office of Management and Budget (OMB) circulars¹⁰ governing the WBC program. Moreover, we reviewed the *Budget & Pay Request Handbook* that explains the required financial forms and necessary information for the budget, a payment advance, or reimbursement.

We evaluated the timeliness of WBC grant disbursements for payments made between October 1, 2003 and April 30, 2007. We measured the disbursement time by comparing the date the pay request was signed by the WBC to the date that SBA’s Denver Finance Center paid the request. We also flowcharted SBA’s grant award cycle to identify opportunities to streamline the process.

⁹ U.S. Small Business Administration, *Budget & Pay Request Handbook and Programmatic Reporting Requirements Handbook*.

¹⁰ OMB Circular A-21, *Cost Principles for Educational Institutions* (relocated to 2 CFR, Part 215 and including changes to Part 220); OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-profit Organizations*; OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, (relocated to 2 CFR, Part 230); and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

APPENDIX I. OBJECTIVES, SCOPE AND METHODOLOGY

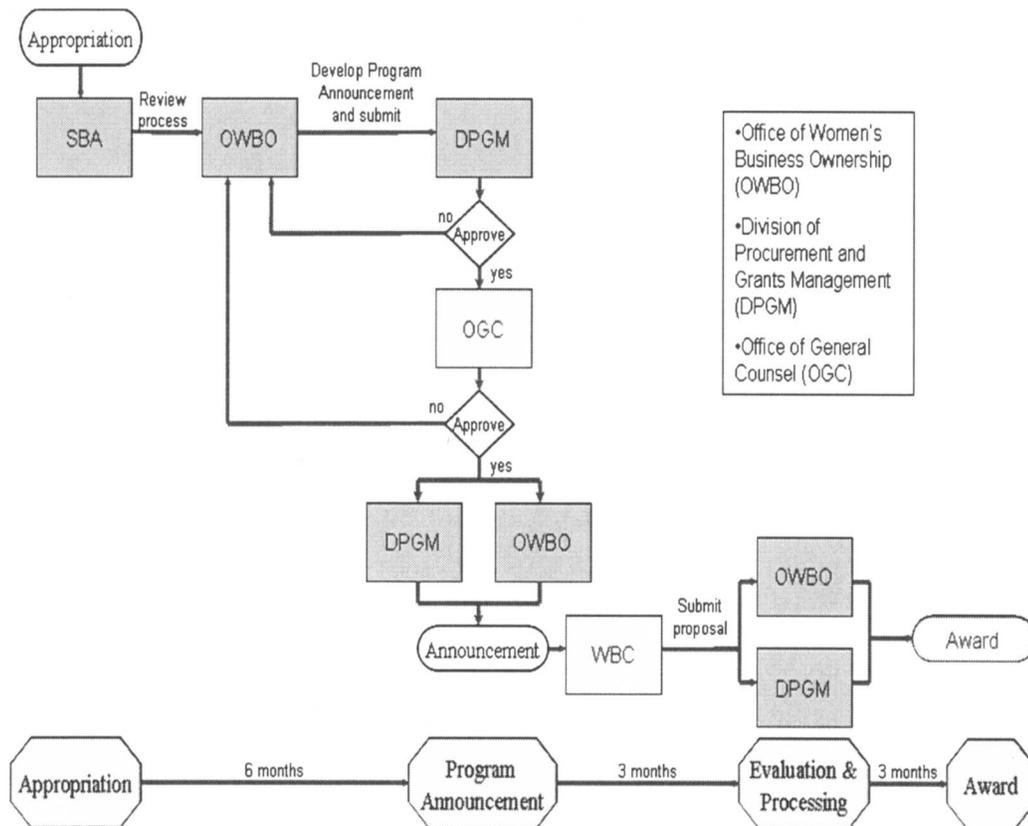
To identify improvements needed to expedite disbursements, we developed a work flow of the disbursement process based on program documents and interviews with program officials.

We conducted our audit from May through September 2007 in accordance with the *Government Auditing Standards* prescribed by the Comptroller General of the United States.

APPENDIX II. OVERVIEW OF THE WBC GRANT AWARD PROCESS

As shown in Figure 1, SBA waits to receive its appropriations before beginning the process of announcing the grant opportunity. SBA generally takes six months after it receives its appropriation to announce the grant opportunity. During this time the appropriations language and grant announcement undergo a sequential review by the program office, grants office, and counsel. The grant opportunity is then posted for 30 days, during which candidates must submit their proposals. After proposals are received, it takes SBA another six months to accept the proposals and to award the grants, even though some of the applicants are previously approved for a grant and are simply seeking continuation of funding.

Figure 1. Standard WBC Grant Award Process



APPENDIX III. WOMEN'S BUSINESS CENTER (WBC) SURVEY RESPONSES

WBC Identifier No.	WBC comments
1	The WBC received inconsistent information from program officials and became reliant on the SBA Micro Lender contact person to ask questions about the WBC program. Pay requests had to be resubmitted because they were filled out incorrectly by the WBC or misplaced by SBA.
2	Nearly all pay requests had to be resubmitted because of additional requirements that were not communicated to the WBC and paperwork lost by SBA. WBC wasted time and money in tracking the status of pay requests. The Grants Management Specialist assigned to the WBC was difficult to contact. Other personnel from the grants office were polite, but unable to help. A checklist to assist the WBC with the pay request process would be helpful. In addition, the WBC never knew what voucher was being paid because the statement from the Denver Finance Center did not reference the voucher numbers. The WBC accountant spent hours trying to determine when and for what invoice the WBC was paid, as well as how to account for the outstanding vouchers.
3	Several times financial reports got separated from the pay requests and the WBC had to resubmit portions of the package. The WBC had to fax corrected pages from time to time due to mathematical errors or wrong dates covered by the pay request. On one occasion, the program office determined that an error had been made on the WBC's pay request. The WBC gave written authorization to make the correction; however, DPGM did not accept the change and set the pay request aside, taking no further action until the WBC followed up by telephone. The problem was discovered and quickly resolved by sending a faxed replacement page. There was no way for the WBC to know where its pay request was because there is no tracking system or accountability. The WBC ended up following up with everyone in SBA. When the WBC voluntarily terminated a WBC cooperative agreement, the program office told the WBC to take its time compiling the pay request, which took eight to nine months. When the WBC submitted the paperwork, the program office said the pay request was too late because the request had to be submitted within 120 days after the cooperative agreement was terminated. The WBC had to meet with SBA legal officials, and the program and grants offices to resolve the issue.
4	The WBC stated that receiving grant disbursements was an extremely frustrating and tiring process with endless back and forth. There were different standards for what constituted a complete pay request package depending on who it talked to in SBA. The WBC has documentation of having to send things three or four times and now uses "return receipt requested." There is no reliable data management system in the program office.
5	The WBC had to resubmit pay requests up to four times because of additional requirements made after the pay request was originally submitted, and SBA claimed that the pay requests were missing relevant pieces of information or were lost. When positions and roles within SBA changed, the WBC was unsure who to contact to resolve payment delays.

APPENDIX III. WOMEN'S BUSINESS CENTER (WBC) SURVEY RESPONSES

WBC Identifier No.	WBC comments
6	Policy changes were not communicated to WBC until it submitted a pay request and was informed that something was missing. Several weeks after submitting a pay request, in November 2006, the WBC received a "Grant/Cooperative Agreement Monitoring Statement" from the grants office, through its program office contact, requesting additional information. Two weeks later, the WBC provided the information. In April 2007, the WBC received a fax requesting more information, much of which was a repeat of the first request, which was again requested by the grants office, but transmitted by the program office. Later that month the WBC sent all of the information that was requested. The WBC made several email inquiries about the pay request and had not received, as of July 2007, any response or any approved pay requests since November 2006.
7	The WBC had to submit payment requests multiple times because of additional requirements it was not aware of and missing paperwork.
9	SBA sent an email to a general email account confirming the receipt of the WBC's pay request, and the WBC's accountant had no clue that problems existed with the pay request. The WBC found the staff changes in the program office to be chaotic, which made it difficult to reach the appropriate person for a question or to resolve a problem. In addition, SBA provided notice of the post-award training only one day before the registration ended, which precluded the WBC's accountant from attending the training.
10	The WBC stated that new and more information to accompany its pay requests was required all the time. There was a great deal of lost paperwork by SBA personnel. The WBC stated that it would be helpful to know the status of a billing request—i.e., received, being processed, processed and waiting payment. SBA Headquarters staff turnover created problems.
11	Reporting requirements were complex because of unclear directions. Payments were delayed because of duplicate submissions, and lost paperwork. The WBC stated that once it corrected one error on a pay request, it was told another error existed, which continued for a period of time. The required monthly calls with the program office demonstrated a lack of good management practices. There was no agenda issued in advance for these meetings. Attendees were not aware of who was represented from SBA to answer the questions. At times, program officials did not know the answers to the questions.
12	The grants office denied a payment of a fee/fund balance that the WBC had proposed and negotiated with the contract officer upon grant award in 2003. Each time something was questioned, additional documentation had to be provided, and the pay package review was restarted once the needed documentation was submitted. Four days after receiving approval of its revised budget by the program office, the WBC received an e-mail from the program office indicating that as a result of the final financial review the WBC would be issued an official CURE notice. That same day, the WBC received another e-mail from the program office asking the WBC to disregard the first email and to wait for additional instructions. To date, the WBC has not received any further emails or written communications related to this issue. As a result, the WBC incurred unexpected and unbudgeted costs which continue to present problems for the organization.

APPENDIX III. WOMEN'S BUSINESS CENTER (WBC) SURVEY RESPONSES

WBC Identifier No.	WBC comments
13	The grants office required varying levels of detail; there were numerous requests from SBA for additional information that was not identified in policies and procedures; and SBA made immediate deadline requests of the WBC. Significant numbers of documents were misplaced by the SBA and needed to be resubmitted. Directions and training by the program office were unclear. For example, the WBC was told by program officials that a deadline was a week earlier than what was stated in their Notice of Award. In one training session, there was disagreement between a program and grants official. The miscommunication resulted in two separate instructions. WBC stated that their district office technical representative was frequently not trained on the WBC program or the grant requirements, which limited the representative's ability to assist them.
14	Reporting requirements for pay requests were made more complex because of unclear directions provided by SBA. WBC stated that SBA made changes to the Detailed Expenditure Worksheet over the course of several quarterly reporting periods, which made the process more difficult and cumbersome. In addition, SBA frequently required additional information after submittal of the payment requests.
15	The WBC had to resubmit pay requests because of lost paperwork. The program office tried to be helpful, but often could not answer questions. The grants office is completely unhelpful, and sometimes rude, short, and uncommunicative at all levels.
16	The WBC found it very difficult to understand what SBA was looking for and to get SBA to accept its payment requests without questioning the numbers. When something was wrong with the center's paperwork, payments were delayed until the necessary corrected forms were resubmitted. Just when the WBC believed it had figured it out, the requirements changed or additional documentation was requested that had not been required for the previous quarter's submission. The process seemed to get tougher, with more pay requests being rejected for one reason or another by SBA. One payment request for the WBC made it past the program office, but then the grants office had some questions about a \$30 dollar miscellaneous expense. One payment request had to be resubmitted three times because of lost paperwork.
17	The major causes for resubmitting pay requests were changes in reimbursement procedures and SBA personnel. The program and grant offices had different criteria for completing pay requests. SBA personnel changed quite a bit, which caused the WBC to be confused.
18	The WBC received directions from SBA that were contrary to the Office of Management and Budget (OMB) Circulars, previous instructions from SBA's independent financial review audit team, and with training provided by the grants office. In addition, the WBC received misinformation on what needed to be included in its pay requests. This caused pay requests approved by the program office to be rejected by the grants office. When a pay request was submitted there was no acknowledgment of receipt by SBA. It was a 'black hole' until the WBC called the program office to find out the status. Lack of communication was the biggest problem with the process.



APPENDIX IV. AGENCY COMMENTS

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

October 18, 2007

Debra S. Ritt, Assistant Inspector General for Auditing
U.S. Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Dear Ms. Ritt:

Please consider this correspondence the Office of Entrepreneurial Development's (OED) official response to your Draft Report on the Audit of Grant Disbursements to Women's Business Centers (WBC), project number 7022. OED concurs with comment.

Our comments are as follows:

Page Three/Paragraph One: Please note that the grant period runs September 30-September 29. WBCs cannot receive grant disbursements prior to the start date of the grant year.

Page Thirteen/Footnote Six (Technical Correction): CFR should be replaced with USC.

Your office also requested documentation on what actions will be taken and the target date for completion. I am outlining current actions for your review, but please note that this is a work in progress and is adapted as necessary.

- The Office of Women's Business Ownership (OWBO) and the Division of Procurement and Grants Management (DPGM) have formed a joint team to accomplish collaborative development of criteria and an interpretation of payment requirements for complete and appropriate submittals, agreement on criteria changes, and agreement on respective roles and responsibilities in rejecting payment requests. At this point in time, a Memorandum of Understanding (MOU) is not necessary to accomplish our goal of transparent, concise and lean processes.

Projected Completion Date: January 15, 2008

- A work team has been formed, led by a District Office Technical Representative for this program, to recommend and develop new clear and concise roles and responsibilities for the District Office Technical Representatives (DOTRS), to include their roles in the grants management and invoice process.



APPENDIX IV. AGENCY COMMENTS

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

October 19, 2007

Debra S. Ritt
Assistant Inspector General for Auditing
U.S. Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Dear Ms. Ritt:

This correspondence is the official response of the Office of Management and Administration to your Draft Report on the Audit of Grant Disbursements to Women's Business Centers (WBCs).

We have reviewed the referenced report and its recommendations to the Associate Administrator for Entrepreneurial Development and the Office of Management and Administration and offer the following comments:

1. Enter into a Memorandum of Understanding (MOU) requiring collaborative development of criteria and an interpretation of payment requirements for complete and appropriate submittals, agreement on criteria changes, and agreement on respective roles and responsibilities in rejecting payment requests. If an acceptable agreement cannot be reached, either place grant specialists within the program office or outsource the WBC grants reimbursement function.

Partially Concur.

We agree that the two offices should work collaboratively for the reasons stated in the recommendation. However, we do not believe it is necessary to enter into a MOU to accomplish these tasks. The Office of Women's Business Ownership (OWBO) and the Division of Procurement and Grants Management (DPGM) have formed a joint team to accomplish collaborative development of criteria and an interpretation of payment requirements for complete and appropriate submittals, agreement on criteria changes, and agreement on respective roles and responsibilities in rejecting payment requests. This task will be completed by January 15, 2008.

We do not agree with the recommendation of placing grant specialists in the program office. While this currently exist in one program office, the

APPENDIX IV. AGENCY COMMENTS

To that end, the Pay Request Handbook will be updated and posted on the web. A web-based checklist (or handbook) can be easily accessed so that everyone is seeing the same document; it can be updated easily; eliminate paperwork; and ultimately serve as the definitive training tool for not only WBCs, but DOTRS as well.

Projected Completion Date: January 15, 2008

This recommendation will be incorporated into the web-based version of the handbook as outlined above.

- Two work teams are working on this recommendation. The team, as mentioned in the first bullet; and also, another smaller work team within OWBO is rapidly exploring an automation opportunity with the Department of Health and Human Services (HHS). Team members have met with HHS officials on two occasions to date, with more meetings scheduled, to map out how their services can become a "value-added" part of our re-engineered process.

Projected Completion Date: January 15, 2008

- The team as outlined will examine the feasibility of partial disbursements, and how that might be managed in a new "lean" environment. It is the current practice to allow WBCs to first provide missing or corrected information before returning the full packet to the WBCs.

Projected Completion Date: January 15, 2008

- A web-access protocol will be developed by another work team formed to make improvements to the OWBO back office functions. See recommendation above.
- See response above regarding HHS process. The HHS process has a component that would provide for this web transparency feature. We are evaluating it, along with "back office" OWBO processes we could also put in place. A determination has not been made. However, some web-based solution will be put in place.

Projected Completion Date: January 15, 2008

- A policy work team is being put in place to revise the program announcement and accompanying "grant making – reviewing" processes. We intend to implement a grant making model that is clear, simple, and transparent, with a review process that is proportionate to the complexity and/or age of the applicant.

Projected Completion Date: January 15, 2008

Thank you for the opportunity to respond. Should you have any further questions or concerns, please do not hesitate to contact me directly at (202) 205-6239.

Sincerely,

[Exemption 6]

Añoop Prakash
AA/OED

APPENDIX IV. AGENCY COMMENTS

2

decentralization of this function leads to inconsistencies in the Agency's oversight and management of this function. To further decentralize a function that should be managed in a centralized environment will significantly increase the Agency's associated risk. Additionally, it will create further confusion for grant recipients that may participate in more than one grant program administered by the Agency.

We agree with the recommendation to outsource the processing of reimbursement requests should the Offices be unable to collaborative accomplish the tasks previously noted.

2. Annually develop and provide WBCs a consolidated checklist of payment requirements and supporting documentation to ensure payment requests are complete.

Concur.

In collaboration with the Office of Entrepreneurial Development, we will take the steps necessary to complete this task during the first quarter of each fiscal year.

3. Establish a change control process to prevent or minimize changes made to payment requirements after the grant award, and to ensure that handbooks and information required on the payment request forms are appropriately updated.

Concur.

In collaboration with the Office of Entrepreneurial Development, we will take the steps necessary to complete this task by January 15, 2008.

4. Automate the payment request review and approval process to the fullest extent possible. Leverage existing grants office automation capabilities and apply them to the WBC grants, tailoring the process as needed to meet the requirements of both SBA offices as contained in the signed MOU. In the meantime, ensure that all issues are identified before returning the payment requests for correction so that WBCs only have to submit one set of corrections.

Concur.

The current automated capability is available to all WBCs. Additionally, the Division of Procurement and Grants Management is currently in the process of defining the requirements for the development and implementation of a robust automated grants management system. When those requirements have been defined and the milestones for

APPENDIX IV. AGENCY COMMENTS

3

development and implementation have been finalized, we will provide you with that information.

5. Permit WBCs to provide missing, incomplete or incorrect sections of their payment requests so that the complete request package does not have to be returned to WBCs and resubmitted to avoid restarts of the payment review process. Also disburse all funds except those costs that are in question to enable WBCs to get partial payments until their requests can be fully resolved.

Concur.

The process described in this recommendation is the procedure that is currently being followed in the Division of Procurement and Grants Management

6. Enable web access by WBCs to the training, handbooks and program changes.

Concur.

In collaboration with the Office of Entrepreneurial Development, we will take the necessary steps to accomplish this task by January 15, 2008.

7. Develop and post a complete log of payment review events on a secure, password-protected website for viewing by WBCs and both SBA's program and grants offices so that WBCs can determine the status of their reimbursement requests and can match payments to specific requests; and the Agency can monitor the timeliness of processing these actions.

Concur.

While we agree in theory, the implementation of this recommendation will be highly dependent upon the resources of the Office of the Chief Information Officer (OCIO) for development. Further, because the public disclosure of this financial data may be prohibited under privacy laws, we must be able to ensure, with a high degree of certainty, that such a system secure. This will undoubtedly be foremost among the OCIO considerations. Therefore, we cannot project an implementation timetable before consulting with that office and following prescribed procedures for automated systems development.

APPENDIX IV. AGENCY COMMENTS

4

Thank you for the opportunity to provide our comments regarding this report. Should you have any further questions or concerns, please do not hesitate to contact me directly at (202) 205-[Exemption 2]

Sincerely,

[Exemption 6]

Darryl K. Hairston
Deputy Associate Administrator
Management and Administration