

Small Business Administration

Office of Entrepreneurial Development
409 Third St, SW 6th Floor
Washington DC 20416

Financial Examination of the Massachusetts Small Business Development Center

Program Year 2020



U.S. Small Business
Administration

Budget Period: October 1, 2019, to September 30, 2021

Grant Activity Period: October 1, 2019, to March 31, 2021

Date: 10/18/2021

Contract Award Number: SBAHQ-20-B-0022



October 18, 2021

To: Nancyellen Gentile,
Deputy Associate Administrator
Office of Small Business Development Centers

Through: Jeanne Crepeau, Administrative Officer
Office of Entrepreneurial Development

The attached Program Year 2020 financial examination was conducted during July-October, 2021, of the Massachusetts Small Business Development Center (MA-SBDC) network, including the lead center in Amherst, and the Small Business Development Centers at Amherst, Newton, Pittsfield, and Salem. The scope of the financial examination focused on validating the adequacy of the MA-SBDC network financial management procedures to ensure compliance with financial laws, regulations, and policies of the SBDC Program.

The overall objective of the financial examination was to determine whether the MA-SBDC network had controls in place to ensure: (1) the accuracy of the reported financial management data; (2) costs incurred and claimed for reimbursement were reasonable, allowable, and allocable; (3) compliance with applicable laws and regulations, policies, operating procedures as it pertains to financial management. This was accomplished by reviewing samples of financial reporting, cash disbursements, indirect cost, program income, contract management, and other financial requirements of the SBDC Program.

Overall, MA-SBDC is in compliance with the financial objectives of the SBDC Program. Based on the review of the limited data examined, there are no findings requiring attention.

Please extend my sincere thanks to the MA-SBDC for the cooperation and courtesies they afforded the Financial Examination Unit during this examination.

A handwritten signature in black ink that reads 'Nicholas Walker'.

Nicholas Walker
Financial Examiner
Office of Entrepreneurial Development

Executive Summary:

A Program Year 2020 financial examination was conducted during July-October, 2021, of the Massachusetts Small Business Development Center (MA-SBDC) network, including the lead center in Amherst, and the Small Business Development Centers at Amherst, Newton, Pittsfield, and Salem. The overall objectives of the Small Business Administration (SBA) financial examination process are to determine whether the MA-SBDC network has controls in place to ensure: (1) the accuracy of the reported financial and management data; (2) whether costs incurred and claimed for reimbursement were reasonable, allowable, and allocable; (3) compliance with program policies, operating procedures, applicable laws and regulations. The scope of the financial examination focused on the adequacy of the MA-SBDC network management to ensure compliance with policies, laws, and regulations of the SBDC Program. This was accomplished by reviewing MA-SBDC's compliance with the reporting, time & effort, cash disbursements, indirect cost, program income, contract management, and other financial requirements of the SBDC Program.

As of March 31, 2021, MA-SBDC reported Federal expenditures of \$1,124,080.74 for the network, which was matched with \$1,044,756.65 in cash match, \$0.00 of claimed in-kind contributions, and \$641,739.40 of waived indirect costs.

Findings: There are no findings to report

I. EXAMINATION PURPOSE

The overall objective of the SBA financial examination process is to determine whether the SBDC network has controls in place to ensure: (1) the accuracy of the reported financial and management data; (2) whether costs incurred and claimed for reimbursement were reasonable, allowable, and allocable; (3) compliance with program policies, operating procedures, applicable laws and regulations.

Pursuant to 15 USC 648 § 21(k) (1) of the Small Business Act (the Act) and the Code of Federal Regulations (CFR) 13, Part 130 which require the Office of Small Business Development Centers (OSBDC) to perform a financial and programmatic examination of each SBDC network every two years.

This examination was conducted July–October, 2021, and covered the SBDC operations for Program Year 2020. Our examination focused on the financial activities of the MA–SBDC. The centers included in our review were as follows:

- Massachusetts SBDC Lead Center, Amherst, MA
- Government Sales Advisory SBDC, Amherst, MA
- Massachusetts Export Center SBDC, Newton, MA
- Berkshire Regional SBDC, Pittsfield, MA
- Northeast Regional SBDC, Salem, MA

The findings and opinions noted in this report pertain solely to the centers and samples selected. This examination does not substitute for audits required of Federal grantees under the Single Audit Act of 1984 or Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Named users of this report are the SBA, America’s Small Business Development Centers (ASBDC) Accreditation Committee, the University of Massachusetts, Amherst, and the MA–SBDC network. This report is not intended as a basis for reliance or action by any other users.

II. CORRECTIVE ACTIONS RESULTING FROM PREVIOUS EXAMINATION

The last examination had no findings.

III. RESULTS OF CURRENT EXAMINATION

Reporting

The examination covered a review of required financial reports, including Federal Financial Report SF-425 and Program Income Report SBA Form 2113.

No Finding - The required financial reports have been submitted on time, and all information in the reports was complete and accurate.

Service Center Monitoring

The examination included a review of service center financial monitoring reports which covered periodic reviews by the lead center for the selected service centers.

No Finding – The reports were comprehensive and covered all relevant financial areas. The lead center is sufficiently monitoring financial activities of the MA-SBDC network.

Time & Effort

The examination included a review of time and effort for employees at the lead center and selected service centers. The review included samples of timesheets and certifications for employees working on the SBDC program.

No Finding – Time and effort for employees of the MA-SBDC network appeared to be reported, tracked, and certified correctly.

Cash Disbursements (Federal and Matching)

The examination included a review of transaction activity from the lead center and service center general ledger accounts. Invoices and support documentation, together with sample expenditures for personnel salaries and direct operating costs were used.

The Federal Financial Report, SF-425, was supported by a crosswalk spreadsheet maintained by the lead center. The lead center reported Federal expenditures of \$1,124,080.74 for the network, which was matched with \$1,044,756.65 in cash match.

The examination included a test of 34 transactions.

- 7 transactions at the Lead Center
- 10 transactions at the Berkshire Regional Center

- 1 transaction at the Massachusetts Export Center
- 6 transactions at the Government Sales Advisory Center
- 10 transactions at the Northeast Regional Center

No Finding - Ledgers properly support all transactions. All tested transactions were determined to be allowable expenses.

Indirect Costs

The examiner reviewed all indirect cost agreements for the MA-SBDC network. The MA-SBDC reported a total of \$641,739.41 for Indirect Costs. A detailed breakout of indirect costs shows that as of 3/31/2021, the amount reimbursed by Federal funds for the period totaled \$0.00 with \$641,739.41 reported as waived indirect non-cash matching costs.

No Finding - The examiner's review of Indirect Cost agreements for the MA-SBDC network found that Indirect Costs appeared to be calculated correctly and in accordance with documented agreements.

In-Kind Match

The examination included a review of in-kind matching funds. The MA-SBDC network reported \$0.00 of In-Kind Match contributions for the period October 1, 2019 - March 31, 2021.

No Finding - The MA-SBDC network did not claim any in-kind contributions as matching funds.

Program Income

The examination included a review of program income activity for the network. SBA form 2113 (Program Income Report) and program income ledgers were reviewed. The examiner also tested the ending program income balance to ensure that it is within the acceptable limit.

The MA-SBDC network reported the following program income for the period from October 1, 2019 to March 31, 2021.

| | |
|-------------------------|---------------|
| Network opening balance | \$ 294,923.83 |
| Revenue | \$ 57,125.00 |
| Expenses | \$ 108,115.70 |
| Closing balance | \$ 243,933.13 |

A review of the Program Income ending balance shows that the MA-SBDC is within the policy that requires SBDCs to expend any Program Income exceeding 25% of their total budget. This was tested by the examiner and determined to be within the limits established in the Program Announcement and Notice of Award. The MA-SBDC is in compliance with this requirement.

No Finding - Program Income activity from the network was reported on SBA Form 2113 and further supported by the lead center's internal schedule or spreadsheet of network Program Income. The examination included a review of selected transactions with no discrepancies.

Contract Management

The financial examiner reviewed the SBDC's policies and procedures to ensure compliance with **OMB Memo M-18-18: Micro-Purchase and Simplified Thresholds for Financial Assistance**. In 2018, the threshold for micro-purchases under federal financial assistance awards was raised from \$3,500 to \$10,000. In general, the MA-SBDC's host institution has written procedures that addressed reasonableness, allowability and allocability of cost, and has policies for micro-purchases.

No Finding - The MA-SBDC network is in compliance with OMB memo M-18-18. Policies are in place for contracts with an amount greater than \$10,000 to go through a competitive bidding process, with at least three quotes obtained, and a search conducted of contracted parties to ensure they are in good standing and not disbarred from federal government contracting.

Massachusetts Small Business Development Center
SBAHQ-20-B-0022

RESULTS OF CURRENT EXAMINATION

Results of our Examination of Cost Claimed on the Federal Financial Report (SF-425)
for the Period 10/1/2019 thru 3/31/2021

| | Item Number | Item Description | Claimed | Examiner Adjustment | Adjusted Amount | Ref Page |
|--|--------------------|--|----------------|----------------------------|------------------------|-----------------|
| Federal Cash: | | | | | | |
| | 10a | Cash Receipts | \$1,276,997.33 | \$0.00 | \$1,276,997.33 | |
| | 10b | Cash Disbursements | \$1,124,080.74 | \$0.00 | \$1,124,080.74 | |
| | 10c | Cash on Hand (a minus b) | \$152,916.59 | \$0.00 | \$152,916.59 | |
| Federal Expenditures and Unobligated Balance: | | | | | | |
| | 10d | Total Federal Funds Authorized | \$2,004,917.00 | \$0.00 | \$2,004,917.00 | |
| | 10e | Federal Share of Expenditures | \$1,124,080.74 | \$0.00 | \$1,124,080.74 | |
| | 10f | Federal Share of Unliquidated Obligations | \$0.00 | \$0.00 | \$0.00 | |
| | 10g | Total Federal Share (sum of lines e and f) | \$1,124,080.74 | \$0.00 | \$1,124,080.74 | |
| | 10h | Unobligated Balance of Federal Funds (line d minus g) | \$880,836.26 | \$0.00 | \$880,836.26 | |
| Recipient Share: | | | | | | |
| | 10i | Total Recipient Share Required | \$1,124,080.74 | \$0.00 | \$1,124,080.74 | |
| | 10j | Recipient Share of Expenditures | \$1,686,496.04 | \$0.00 | \$1,686,496.04 | |
| | 10k | Remaining Recipient Share to be Provided (line i minus j) | (\$562,415.30) | \$0.00 | (\$562,415.30) | |
| Program Income: | | | | | | |
| | 10l | Total Federal Program Income Earned | \$0.00 | \$0.00 | \$0.00 | |
| | 10m | Program Income Expended in Accordance with the Deduction Alternative | \$0.00 | \$0.00 | \$0.00 | |
| | 10n | Program Income Expended in Accordance with the Addition Alternative | \$0.00 | \$0.00 | \$0.00 | |
| | 10o | Unexpended Program Income (line l minus line m or line n) | \$0.00 | \$0.00 | \$0.00 | |

SUMMARY OF RESULTS

Based on the limited testing of the data available from the lead center and the selected service centers, it was determined that the MA-SBDC network:

1. Is in compliance with reporting requirements;
2. Is in compliance with monitoring the financial activities of service centers;
3. Is in compliance with time & effort reporting;
4. Is in compliance with monitoring of cash disbursement requirements;
5. Is in compliance with indirect cost requirements;
6. Is in compliance with in-kind match requirements;
7. Is in compliance with program income requirements;
8. Is in compliance with contract management requirements.