



U.S. Small Business
Administration

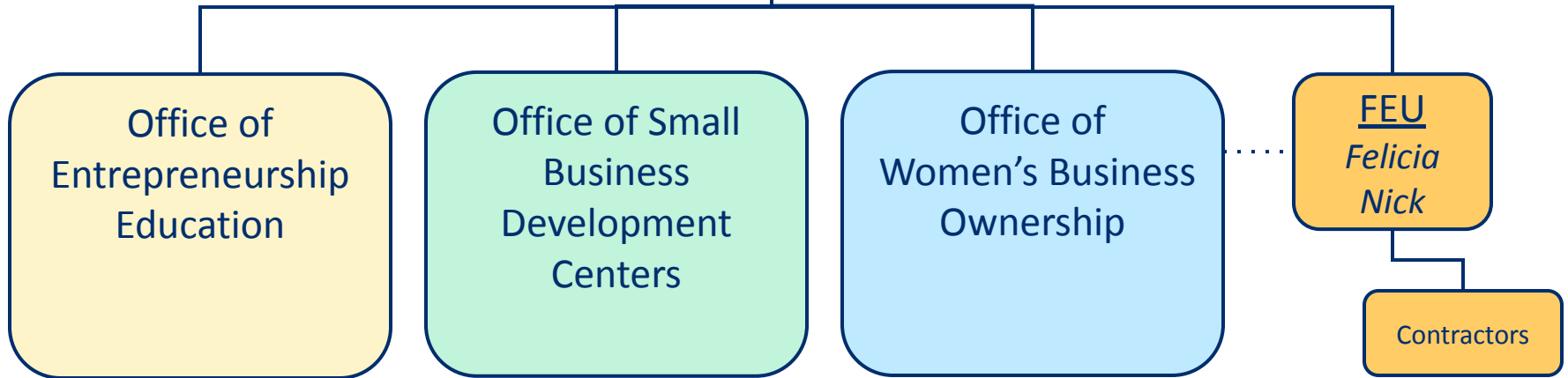
SBA Financial Exams

Overview of the Financial Examination Process

**AWBC Conference
2023**

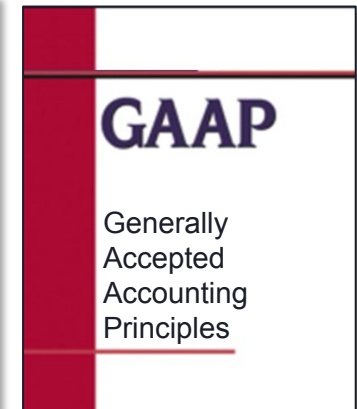
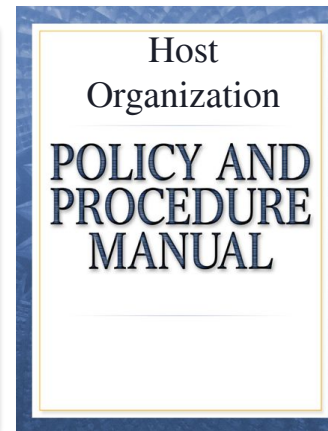
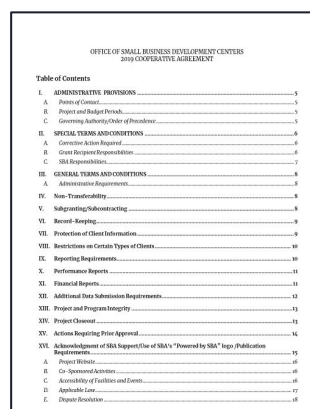
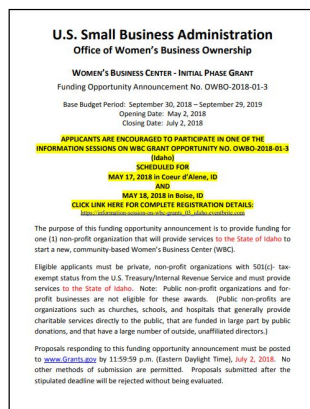
SBA Office of Entrepreneurial Development Financial Examination Unit

OED Management
Mark Madrid,
Associate Administrator



What Rules do WBCs Have to Follow?

- CFR / Circulars / Uniform Guidance
- Program Announcement/Funding Opportunity
- Notice of Award/Terms & Conditions
- Your Host
- GAAP



Financial Examinations

Exam Report Sections

Expenditure Summary

Previous Exam Report

Financial Management

- Reporting Requirements
- General Ledger
- Contract Management
- Compensation – Personal Services

Federal Disbursements

Matching Support

- Cash Match
- Program Income (Match)
- In-Kind Donations (Match)



Expenditure Summary

Expenditures Per General Ledger					
September 30, 2021, to September 29, 2022					
Budget Line Items	Federal	Non-Federal	In-Kind	Program Income	Total
Personnel Services	\$100,000	\$110,000	\$0	\$0	\$210,000
Fringe Benefits	\$25,000	\$26,500	\$0	\$0	\$51,500
Travel	\$1,000	\$0	\$0	\$0	\$1,000
Supplies	\$1,000	\$1,000	\$0	\$0	\$2,000
Contractual	\$15,000	\$10,000	\$0	\$0	\$25,000
Other	\$8,000	\$2,000	\$0	\$0	\$10,000
Indirect Cost	\$0	\$0	\$0	\$0	\$0
Total	\$150,000	\$149,500	\$0	\$0	\$300,500

Are all expenses listed in a budget category?

Are you fully matched?

Do reported amounts total correctly?

Current Status of Prior Year Financial Examination Findings

We look at last exam to see...

- What were the findings and recommendations?
- What corrective actions did you take?
- Are there an



Reporting Requirements

A variety of reports are reviewed for a financial examination:

- SF-425
 - Certification of Match
 - Budget to Actual comparison table
 - and more!
-

The examiner will check the reports to see:

- Were reports submitted on time?
- Was information in the reports accurate?
- Did reports reconcile to the general ledger?

Reporting Requirements

Budget to Actual Comparison

“Adherence to the Approved Budget You must expend Project Funds in accordance with Your approved budget. However, You do have the discretion to transfer Project Funds between individual approved cost categories provided the cumulative result of all such transfers in a given budget period does not exceed 10 percent of Your total approved budget.” – WBC Terms & Conditions

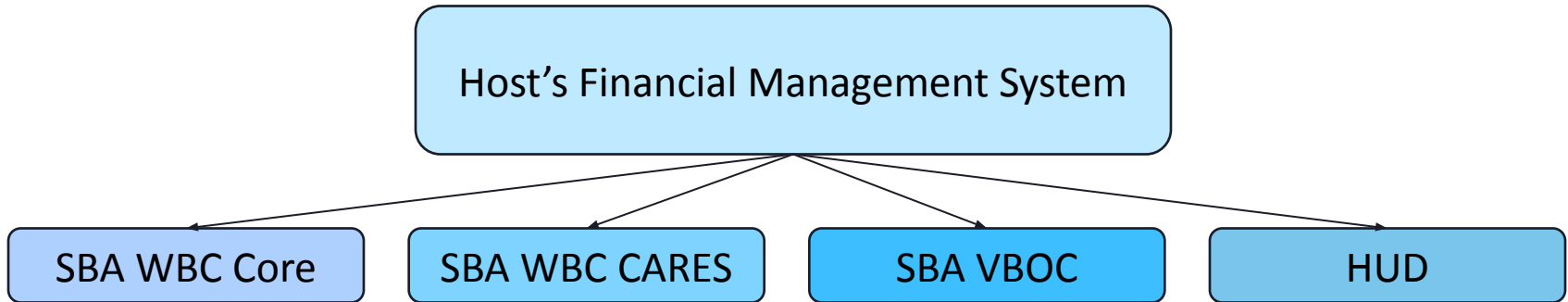
Budget Line Items	Budget	Actual	Variance
	Federal	Federal	
Personnel Services	\$100,000	\$90,000	(\$10,000)
Fringe Benefits	\$25,000	\$23,000	(\$2,000)
Travel	\$1,000	\$1,000	\$0
Supplies	\$1,000	\$3,000	\$2,000
Contractual	\$15,000	\$25,000	\$10,000
Other	\$8,000	\$8,000	\$0
Indirect Cost	\$0	\$0	\$0
Total	\$150,000	\$150,000	\$12,000

Budget Line Items	Budget	Actual	Variance
	Non-Federal	Non-Federal	
Personnel Services	\$110,000	\$100,000	(\$10,000)
Fringe Benefits	\$27,000	\$25,000	(\$2,000)
Travel	\$1,000	\$0	(\$1,000)
Supplies	\$1,000	\$3,000	\$2,000
Contractual	\$5,000	\$15,000	\$10,000
Other	\$6,000	\$7,000	\$1,000
Indirect Cost	\$0	\$0	\$0
Total	\$150,000	\$150,000	\$13,000

Total Budget: \$300,000
\$300,000 * 10% = \$30,000
\$12,000 + \$13,000 = \$25,000
\$25,000 < \$30,000



Financial Management



The Host's financial management system should be able to...

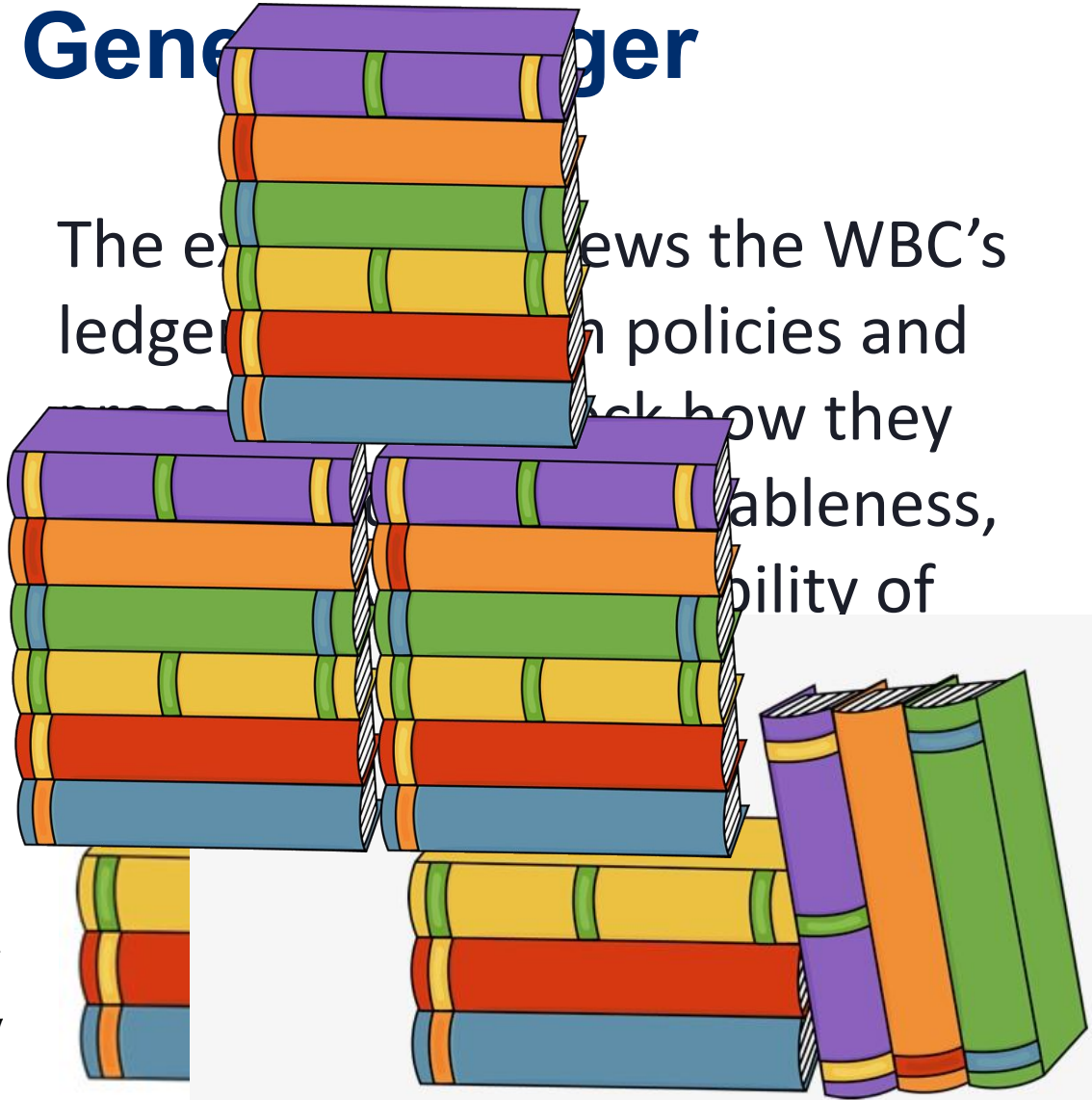
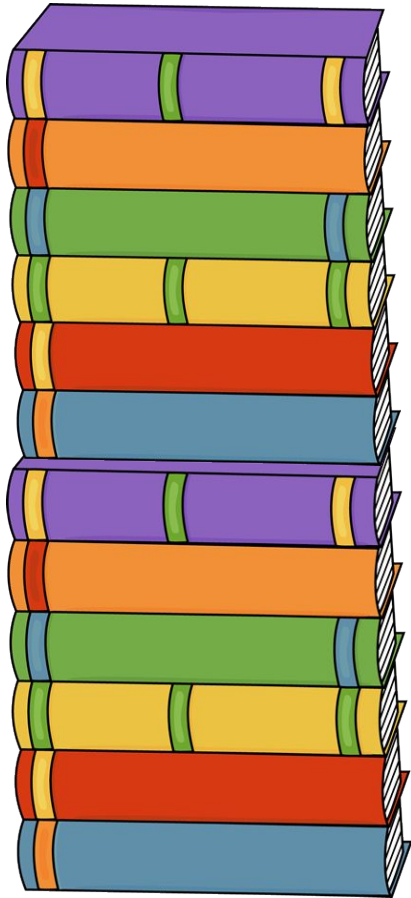
- Create a General Ledger for EACH grant project
- Show funding sources and expenses for each grant project
- Generate a Chart of Accounts that lists separate accounting codes for each budget category



The Host/WBC should use totals from the GL when completing the SF-425, Budget-to-Actuals, and other required submissions

Gene Ledger

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ledger... n policies and
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General Ledger

2 CFR §200.302 – Financial Management

The financial management system of each non-Federal entity must provide for the following (see also §§ 200.334, 200.335, 200.336, and 200.337):

(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See § 200.303.

General Ledger

Reporting Shared Costs

§200.405 Allocable Costs

(d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.



General Ledger

Reporting Shared Costs

If the WBC Core project is sharing resources/costs with other grant projects, you MUST show how costs were divided among the projects.

For example...

General Ledger - WBC Core Grant Project

Date	Project	Account	Acct Description	Amount	Comments
3/23/2022	SBAWBC22	1005	Supplies	\$125.00	Total \$500. 25% allocated to SBA WBC
5/10/2022	SBAWBC22	1010	Travel	\$200.00	Total \$400. 50% allocated to SBA WBC
9/20/2022	SBAWBC22	2000	Contractual	\$1,200.00	Business Advisor

General Ledger - HUD Grant Project

Date	Project	Account	Acct Description	Amount	Comments
3/23/2022	HUD22	1005	Supplies	\$250.00	Total \$500. 50% allocated to HUD
5/10/2022	HUD22	1010	Travel	\$200.00	Total \$400. 50% allocated to HUD

General Ledger

Why Is It Important to Have a Reliable Financial Management System?

1. Proper management and accounting of Project funds helps to avoid cost disallowances due to semi-annual and annual reconciliation reviews and financial examinations.
2. If Your organization holds any other current financial assistance awards from SBA or a non-SBA grant award, a reliable financial management system will help avoid commingling of funds and overlapping or double-claiming of costs among those awards.
3. Ensures that the Host/WBC monitors and tracks expenses of its grant projects.
4. Ensures that the WBC's finances and accounts are being tracked separately from the Host organization.
5. Ensures that budgeted WBC funds are being used for WBC Program purposes.

Contract Management

The examiner reviews the organization's policies and procedures to ensure that the Host has procedures in place to comply with OMB Memo M-18-18 Micro-purchase and Simplified Thresholds for Grantee.

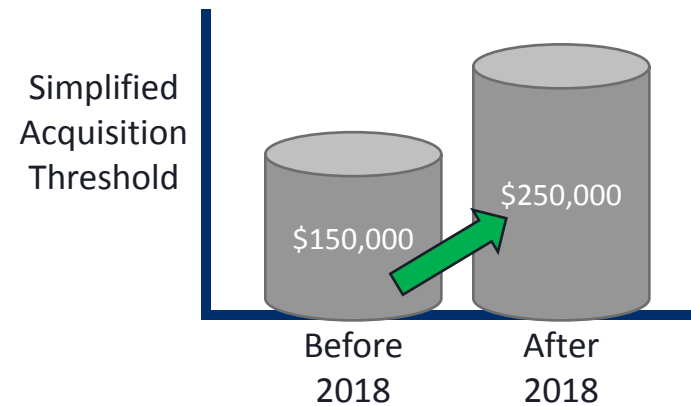
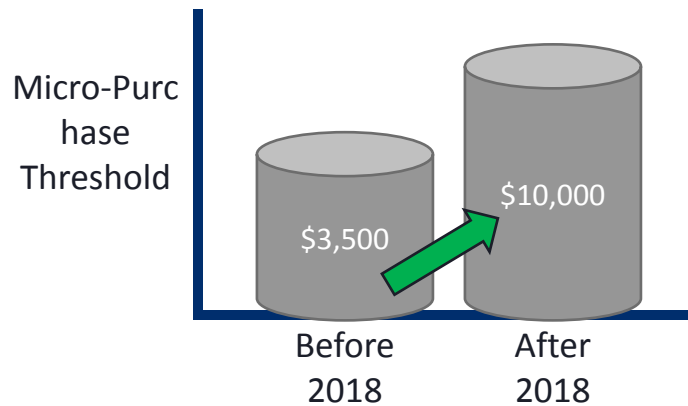
What is OMB Memo M-18-18? ...

Basically, if a grantee has any contracts greater than \$10k, they must obtain at least three quotes for each contract and a justification if they do not go with the lowest bidder. If they have contracts above \$250k, they must follow the competitive bid process and submit the contract for prior approval.

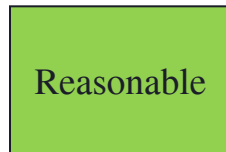
<https://www.whitehouse.gov/wp-content/uploads/2018/06/M-18-18.pdf>

Contract Management

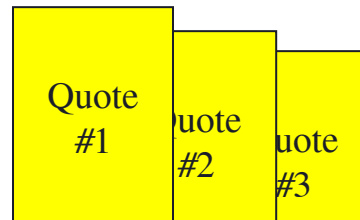
In June 2018, OMB Memo M-18-18 increased contract thresholds.



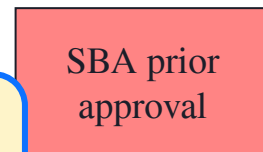
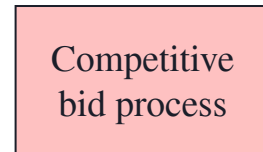
\$10,000 or less



\$10,000.01 - \$250,000



\$250,000.01 and above



You must provide written justification if you do not go with the lowest bid

Contract Management

Debarment Search

§ 200.214 Suspension and debarment.

Non-Federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. The regulations in 2 CFR part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.



**Common
Finding!**

Observation #1: Contractual Testing - Using the supporting documents provided we noted the following:

We noted that proof of suspension and debarment search were not provided for the contractors selected for review. As such we could not verify that the WBC conducted a search of contractor to ensure that they were in good standing and were not disbarred from federal government contracting.

Contract Management

Debarment Search

Select Domain
All Domains

Filter By

Keyword Search

For more information on how to use our help guide [help guide](#)

Any Words

All Words

Exact Phrase

e.g. 1606N020Q02

"Donald Smith"

Federal Organizations

Enter Code or Name

Status

Active

Inactive

Description



Home Search Data Bank Data Services Help

Search

Exact Phrase

Donald Smith

provide this service. vendors are requested to submit estimated market research pricing with their responses. The estimated pricing will be considered when determining the procurement strategy for the future solicitation. (e.g. if CO determines that capable small businesses cannot provide fair and reasonable pricing, then the solicitation will not be set-aside). Responses should include: (1) Business Name (2) Business Address (3) Point of Contact - Name - Phone Number - E-mail Address (4) SAM UID Number (5) NAICS code (6) Business Size: SMALL or LARGE (7) Type of Business: SERVICE DISABLED VETERAN OWNED (SDVOSB), VETERAN OWNED(VOSB), 8A, HUBZone, WOMAN-OWNED (WOSB), etc. (8) Letter stating OEM authorized dealer, authorized distributor or authorized reseller for the proposed equipment and/or services if applicable (9) GSA/FSS Contract Number if applicable All businesses eligible to provide this service are encouraged to reply as this information may be used to determine potential set-asides for the above-noted requirement. Send responses to Frank Mendoza at Frank.Mendoza@va.gov and [Donald Smith at donald.smith10@va.gov](mailto:Donald.Smith10@va.gov). **DISCLAIMER:** This notice is issued solely for informational and planning purposes and does not constitute a solicitation. Responses to this notice are not offers and cannot be accepted by the Department of Veterans Affairs to form a binding contract. Respondents are solely responsible for all expenses associated with responding to this notice.

Sort by

Date Modified/Updated

Contract Opportunities

Current Response Date
July 17, 2023 at 04:00 PM EDT

Notice Type
Original Sources Sought

Updated Date
Jul 7, 2023

Published Date
Jul 7, 2023

Contract Opportunities

Current Response Date
July 17, 2023 at 04:00 PM EDT

Notice Type
Original Sources Sought

Updated Date
Jul 7, 2023

Published Date
Jul 7, 2023

Compensation – Personal Services

Compensation for personal services includes **all remuneration, paid currently or accrued**, for services of employees rendered during the period of performance under the Federal award, including but not limited to wages and salaries.

You must maintain complete and accurate records and supporting documentation of sufficient detail to facilitate a thorough financial and/or programmatic audit or examination of this project, to include the time and attendance of employees whose salaries are charged to this award, with sufficient detail to substantiate the claimed percentage of work performed in support of this project.

- WBC Terms & Conditions



Compensation – Personal Services

§200.430 Compensation—personal services

- (i) Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
 - (ii) Be incorporated into the official records of the non-Federal entity;
 - (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
 - (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
 - (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and
 - (vi) [Reserved]
 - (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
 - (viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes

Federal Disbursements



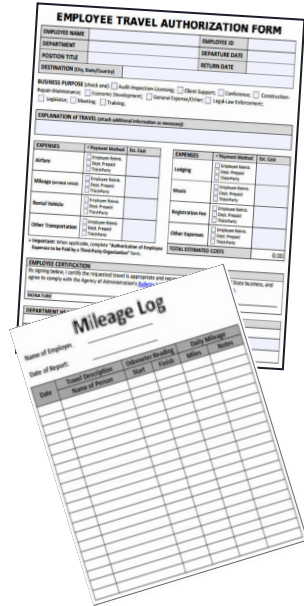
Disbursement - the outflow of money paid in exchange for the provision of goods or services.

Financial examinations cover disbursements through review of ledgers and supporting documentation.

Federal Disbursements

Sample Transactions

Your examiner will select a variety of transactions from the ledgers that you provide.



The image shows two forms. The top one is an "EMPLOYEE TRAVEL AUTHORIZATION FORM" with fields for Employee Name, Department, Position Title, Employee ID, Separate Date, and Return Date. It also includes a section for "EXPLANATION OF TRAVEL" and "EMPLOYEE CERTIFICATION". The bottom one is a "Mileage Log" with columns for Date, Travel Description, Mileage, and Date Returned.



The image shows two documents. The top one is an "INVOICE" with a lightning bolt logo. The bottom one is a "RECEIPT" with a scalloped edge.

Why are we checking transactions?

What are we looking for?

- Allowable vs. Unallowable Expenses
- Reasonableness
- Proper backup support
- Expense approval procedures are followed

Matching Support - Cash Match

For an Initial Phase WBC in the first two years of its project, You are required to provide matching support for this Award from non-federal sources at the rate of 50 percent (i.e., 1 non-federal dollar for each 2 Federal dollars). For an Initial Phase WBC in years three through five and all Renewal Phase Projects, You are required to provide matching support for this Award from nonfederal sources at the rate of 100 percent (i.e., 1 non-federal dollar for each 1 Federal dollar). You must document that You have obtained and expended the required level of match in support of project activities.

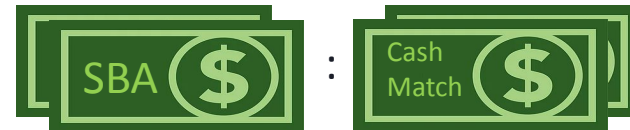
You may receive contributions of matching support from any non-federal source, such as State, local, or tribal governments, private individuals, corporations, or foundations.

- WBC Terms & Conditions

Year 1 or 2



Year 3+



Matching Support - Cash Match

Overmatch

§ 131.430 Matching funds.

(b) Once the cash match and total match requirements have been met, any additional matching funds are considered overmatch. WBCs may provide overmatch if they choose to do so; however, if they have used Federal funds to raise match above the required amount, the funds must only be used to meet the Federal objective of the WBC program and must be verifiable from the non-Federal entity's records. All funds allocated to a WBC project through a budget proposal are subject to Federal rules and regulations, consistent with 2 CFR part 200. The funds must also be used solely for the WBC project. However, this does not prohibit WBC recipient organizations from raising funds separately and apart from the WBC program. Those funds that are not raised with WBC funds and are not used as match are not subject to the same recordkeeping requirements as they are not tied to the WBC program.

-
- **Overmatch may be used to offset disallowances in matching funds**
 - **Overmatch may NOT be added after-the-fact to cover for disallowances**

Matching Support - Program Income

“Program Income means gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award” - 2 CFR 200.80

Program Income generated under this Award must be: (1) added to the Project Funds and used to further eligible project or program objectives; and/or; (2) applied toward satisfying the match requirement. In addition, on each SF-425 You submit, you must note all Program Income earned and expended during that reporting period. – WBC Terms & Conditions



Program income is typically earned through training events, workshops, and conferences

Matching Support - In Kind

In-kind contribution - A non-cash match contribution based on the value of goods and services that are provided to the project.

Matching contributions may take the form of cash or cash equivalent, or in-kind donations such as free or reduced-price goods, services, or facilities. However, no more than 50 percent of the matching support provided under this Award may consist of in-kind contributions.

Donated Space

Volunteer Time

For example:



For More Information

Felicia.Smith@sba.gov
Nicholas.Walker@sba.gov



U.S. Small Business
Administration