

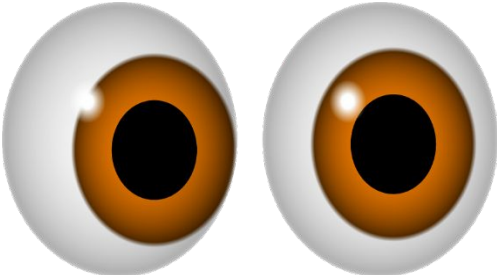


U.S. Small Business  
Administration

**WBC FINANCIAL EXAMINATIONS**

**OED- Financial Examination Unit**  
**September 11, 2024**

# GUESS WHAT FINANCIAL EXAMINERS DO....



# HOW DO EXAMINER'S CONFIRM THE TOTALS?

- I. Review the Governing Documents
- II. Review the Approved Budget
- III. Review the Federal Financial Report The Host/WBC Submits to OWBO
- IV. Review the General Ledger(s) and Reconcile Them With Final Financial Reports
- V. Review Support Documentation (Receipts, Lease Agreements, Contracts, Timesheets, Effort Reports, And Negotiated Indirect Cost Rate Agreement
- VI. Conduct Interviews of Key Personnel or Other Employees Involved With Managing the WBC's Finances.



# **I. GOVERNING DOCUMENTS**



# GOVERNING DOCUMENTS

- ✓ Statute - **15 U.S. Code § 656 - Women's Business Center program**
- ✓ OMB Regulations – **2 CFR 200**
- ✓ SBA Regulations – **13 CFR 131**
- ✓ Notice of Funding Opportunity
- ✓ Terms and Conditions (Approved Budget)
- ✓ Host's Accounting, Personal Services, Travel, And Procurement Policies



## **II. APPROVED BUDGET**



# PROJECT FUNDS

1. Federal Award – 2 CFR § 200.1 (Definitions)
2. Non-Federal Cash – 2 CFR§200.1 and 2 CFR § 200.306
3. Third-Party In-kind Contributions – 2 CFR§200.1 and 2 CFR§ 200.306
4. Unrecovered (Waived) Indirect Cost - 2 CFR§200.1 and 2 CFR § 200.306
5. Program Income – 2 CFR § 200.307(e)(3)

**Note 1:** Items 2, 3,4, and 5 are consider Cost Sharing or Matching Categories.

**Note 2:** Any additional contract or grant funds obtained from a Federal source may not be used as matching funds for the WBC project, with the exception of the Community Development Block Grant (CDBG) funds (13 § 131.610- Other Federal Grants).

**Note 3:** Indirect costs – See 2 CFR § 200.414.

**TEST YOUR  
KNOWLEDGE**



# Test Your Knowledge

At least \_\_\_\_\_ percent of matching funds must be in cash (the sum of non-federal cash and program income).

- a) 10%
- b) 25%
- c) 100%
- d) 50%

See 13 CFR § 131.430(a)

# Test Your Knowledge

When a donor provides in-kind professional services to the grantee, the Acknowledgement Letter should include the following:

- a) Fair market value
- b) Donor's name and contact information
- c) The Date(s) of the service(s) provided
- d) The Signature of the center director and donor
- e) All of the above

# Test Your Knowledge

The Grantee forgot to request to use Unrecovered (Waived) indirect costs as matching support, the Grantee should not do the following:

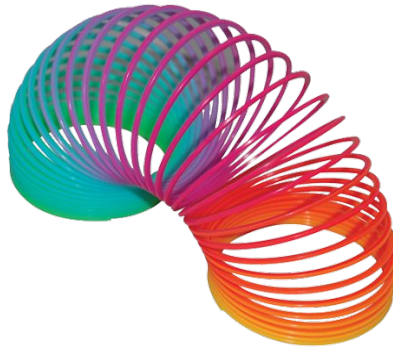
- a) Obtain prior approval from the Financial Examination Unit to revise the grantee's budget.
- b) Submit an email to OWBO to request a budget revision and to get guidance on how to use Unrecovered (Waived) Indirect Costs as matching support .
- c) The Grantee should submit a budget revision before the end of the budget period.
- d) Submit a Form 424 with the written request to revise the grantee's budget.

## COST OR BUDGET CATEGORIES

- Personnel (Salaries) – 2 CFR § 200.430
- Fringe Benefits – 2 CFR § 200.431
- Equipment\* - 2 CFR § 200.313
- Travel – 2 CFR § 200.475
- Supplies – 2 CFR § 200.314
- Consultants (Professional Services) 2 CFR § 200.459
- Contractual - 2 CFR § 200.324
- Other – (Rent: 200.465, Advertising: 200.421)

**TEST YOUR  
KNOWLEDGE**

# UNALLOWABLE EXPENSES



Which expense is allowable?

# APPROVED BUDGET

## COST OR BUDGET CATEGORIES (CONTINUED)

- **Cost Sharing Categories** – The Host must request to use third-party in-kind contributions, program income and unrecovered (waived) indirect costs as matching support.
- **Budget Categories (assigned costs)** - Please review your approved budget often. Host/ WBC can only spend funds in a budget category that has an assigned costs.
- **Fringe Benefits** – Please record the **ACTUAL** federal (and state) employment taxes incurred. The rates are as follow:
  - Social Security (OASDI) is 6.20%
  - Medicare (HI) is 1.45%
- **Travel** -- Please make sure the Host has established travel policies. The travel costs must be reasonable, allocable, allowable, and necessary. If the Host does not have a prescribed “per diem” rate and uses the “at cost” method for lodging and meals, then the Host should ensure that the traveler show a comparative analysis to ensure the travel costs was reasonable.

# APPROVED BUDGET

## COST OR BUDGET CATEGORIES (CONTINUED)

**Contractual** – Please make sure the Host/WBC get three (3) quotes for contracts over \$10K. The aggregate contractual amount includes:

- Technical
- Supplies
- Mileage
- Travel

**Indirect Costs** – The Host/WBC must request to charged indirect costs.

Note:

2. If the Host/WBC did not request to use a cost or budget or charge indirect costs during the Pre-Award process, please submit a written request to OVBC to revise the WBC's budget to add a cost or budget category(s) and charge indirect costs.
3. Host/WBC must obtain prior approval from OWBO if Budget variances is over 10% of the total budget.



**TEST YOUR  
KNOWLEDGE**

# Test Your Knowledge

Which Federal Agency Is Responsible For Collecting Social Security Taxes?

- a) Social Security Administration
- b) Office of the Comptroller of the Currency
- c) Internal Revenue Service
- d) Each State Is Responsible For Collecting Social Security Taxes From Their Citizens.

# Test Your Knowledge

501(c)(3) organizations are required to file a tax return to IRS every year?

- True
- False



# **III. FEDERAL FINANCIAL REPORTS**



# SF-425 – Federal Financial Report

FEDERAL FINANCIAL REPORT										
(Follow Form Instructions)										
1. Federal Agency and Organizational Element to Which Report is Submitted				2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)				Page	of	
U.S. Small Business Administration Small Business Center Development								1	1	
3. Recipient Organization (Name and complete address including Zip code)										
4a. DUNS Number		4b. EIN		5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)		6. Report Type		7. Basis of Accounting		
						Quarterly				
						Semi-Annual				
						Annual				
						Final		Cash X Accrual		
8. Project/Grant Period From: (Month, Day, Year)				To: (Month, Day, Year)		9. Reporting Period End Date (Month, Day, Year)				
10. Transactions								Cumulative		
<i>(Use lines a-c for single or multiple grant reporting)</i>										
<b>Federal Cash (To report multiple grants, also use FFR Attachment):</b>										
a. Cash Receipts										
b. Cash Disbursements										
c. Cash on Hand (line a minus b)										
<i>(Use lines d-o for single grant reporting)</i>										
<b>Federal Expenditures and Unobligated Balance:</b>										
d. Total Federal funds authorized										
e. Federal share of expenditures										
f. Federal share of unliquidated obligations										
g. Total Federal share (sum of lines e and f)										
h. Unobligated balance of Federal funds (line d minus g)										
<b>Recipient Share:</b>										
i. Total recipient share required										
j. Recipient share of expenditures										
k. Remaining recipient share to be provided (line i minus j)										
<b>Program Income:</b>										
l. Total Federal program income earned										
m. Program income expended in accordance with the deduction alternative										
n. Program income expended in accordance with the addition alternative										
o. Unexpended program income (line l minus line m or line n)										
11. Indirect Expense		a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged		f. Federal Share	
Fixed										
Fixed										
g. Totals:						\$0.00	\$0.00		\$0.00	

# FINAL FINANCIAL REPORTS

## ACCOUNTING METHODS

### ACCRUAL ACCOUNTING

Accrual accounting records revenue and expenses when transactions occur **but** before money is received or dispensed.

### CASH ACCOUNTING

Cash basis accounting records revenue and expenses when cash related to those transactions is actually received or dispensed.

# FINAL FINANCIAL REPORTS

## INDIRECT COSTS

### Negotiated Indirect Cost Rate

**RATE:** Cognizant agency and Host (Non-Federal Entity) Negotiates The Rate.

#### ALLOCATION METHODS:

- Direct Salaries/Wages (**DSW**)
- Direct Salaries/Wages and **Fringe Benefits (DSWS+F)**
- Modified Total Direct Costs (**MTDC**)
- Total Direct Costs (**TDC**)

**Support Documentation:**  
Negotiated Indirect Cost Rate Agreement (NICRA)

### 10% De Minimis Indirect Cost Rate

**RATE:** The 10% De Minimis Rate Is Established By OMB.

#### ALLOCATION METHOD:

- Modified Total Direct Costs (**MTDC**)

**Support Documentation:** No agreement required. Inform OWBO that you are electing to use the De Minimis Rate to charge Indirect costs.

**Note:** OMB increased rate from 10% to 15%, effective October 1, 2024.

# FINAL FINANCIAL REPORTS

## INDIRECT COSTS

Allocation Base Method Table

Budget Category	DSW	DSW+F	MTDC	TDC
Personnel	X	X	X	X
Fringe Benefits		X	X	X
Equipment			X	X
Travel			X	X
Supplies			X	X
Consultant			X	X
Contracts			X	X
Other			X	X

### How To Calculate Total Indirect Cost?

1. What is the Host's allocation base method?
2. How much federal funds were expended on the allocation base (Base Amount)?
3. Where there any additional exclusion for this allocation base method?
4. What is the Host's indirect cost rate?



**TEST YOUR  
KNOWLEDGE**

# TEST YOUR KNOWLEDGE – Indirect Costs

## APPROVED BUDGET

Budget Category	Amount
Personnel	\$165,000.00
Fringe Benefits	\$ 55,000.00
Equipment	\$ -
Travel	\$ 15,000.00
Supplies	\$ 7,000.00
Consultant	\$ 10,000.00
Contracts	\$ 30,000.00
Other	\$ 40,000.00
Total Direct Costs	\$322,000.00
Total Indirect Costs	
Total Federal Funds	

## Test Your Knowledge #3

1. What is the Host's allocation base method? **(DSW)**
2. How much federal funds were expended on the allocation base (Base Amount)? **(\$165,000)**
3. Are there any additional exclusion for this allocation base method? **(No)**
4. What is the Host's indirect cost rate? **(36%)**
  - a) What is the Total Indirect Costs?
  - b) What is the Total Federal Funds?

# TEST YOUR KNOWLEDGE – Indirect Costs

## APPROVED BUDGET

Budget Category	Amount
Personnel	\$165,000.00
Fringe Benefits	\$ 55,000.00
Equipment	\$ -
Travel	\$ 15,000.00
Supplies	\$ 7,000.00
Consultant	\$ 10,000.00
Contracts	\$ 30,000.00
Other	\$ 40,000.00
Total Direct Costs	\$322,000.00
Total Indirect Costs	<b>\$ 59,400.00</b>
Total Federal Funds	<b>\$381,400.00</b>

## Test Your Knowledge - Answers

What is the Total Indirect Costs?  
**\$59,400**

Calculation = Personnel costs  
(\$165,000; Base Amount) **X**  
Indirect Cost Rate (36%) =  
\$59,400

What is the Total Federal Funds?  
**\$381,400**

Total Direct Costs (\$322,000) +  
Total Indirect Costs = \$381,400

# TEST YOUR KNOWLEDGE – Indirect Costs

## APPROVED BUDGET

Budget Category	Amount
Personnel	\$165,000.00
Fringe Benefits	\$ 55,000.00
Equipment	\$ -
Travel	\$ 15,000.00
Supplies	\$ 7,000.00
Consultant	\$ 10,000.00
Contracts	\$ 30,000.00
Other	\$ 40,000.00
Total Direct Costs	\$322,000.00
Total Indirect Costs	
Total Federal Funds	

## Test Your Knowledge #4

1. What is the Host's allocation base method? **(MTDC)**
2. How much federal funds were expended on the allocation base (Base Amount)? **(\$322,000)**
3. Are there any additional exclusion for this allocation base method? **(Yes. Office Rent costs of \$15,000)**
4. What is the Host's indirect cost rate? **(25%)**
  - a) What is the Total Indirect Costs?
  - b) What is the Total Federal Funds?

# TEST YOUR KNOWLEDGE – Indirect Costs

## APPROVED BUDGET

Budget Category	Amount
Personnel	\$165,000.00
Fringe Benefits	\$ 55,000.00
Equipment	\$ -
Travel	\$ 15,000.00
Supplies	\$ 7,000.00
Consultant	\$ 10,000.00
Contracts	\$ 30,000.00
Other	\$ 40,000.00
Total Direct Costs	\$322,000.00
Total Indirect Costs	\$ 76,750.00
Total Federal Funds	\$398,750.00

## Test Your Knowledge - Answers

What is the Total Indirect Costs? **\$76,750**

Calculation =

1. All direct costs = \$322,000
2. Exclusions (\$15,000); office rental costs
3. Total Base Amount = \$307,000

Calculation: Total Base Amount (\$307,000)

**X** Indirect Cost Rate (25%) = \$76,750

What is the Total Federal Funds?

**\$398,750.00**

Calculation: Total Direct Costs (\$322,000) **+**  
Total Indirect Costs (\$76,750) = \$398,750.00

## Test Your Knowledge

The grantee must use the negotiated indirect cost rate stated in the NICRA?

- True
- False

# Test Your Knowledge

The grantee must use the allocation base method stated in the NICRA?


- True
- False

## Test Your Knowledge



The grantee can use allowed total indirect costs for matching support only?

- True
- False





# **IV. GENERAL LEDGER AND THE RECONCILIATION PROCESS**



# BUDGET AUTHORIZATION

## PURPOSE

The documents are used to confirm the (1) grant award amount, (2) award no # (3) period of performance, (4) approved indirect costs, and (5) approved budget categories with an assigned costs.

## REQUIRED DOCUMENTS

- ✓ NOA
- ✓ MOD(s)
- ✓ NICRA

**Note:** A budget modification is needed to make changes to the approved budget. Also, no documentation is required to elect the 10% De Minimis indirect cost rate.

# REPORTING

## PURPOSE

It is important that the SF-425 is accurate and complete as the totals are reported to Congress and others. We use the totals reported on the SF-425 to reconcile the totals recorded on the center's general ledger.

## REQUIRED DOCUMENTS

- ✓ Final SF-425
- ✓ Expenditure worksheet(s)

# REVENUE AND EXPENDITURES

## PURPOSE

The Host/WBC should have an accounting and financial management system to track revenue and expenditures. **The WBC should use the totals from the GL to prepare all financial reports submitted to SBA.**

## REQUIRED DOCUMENTS

- ✓ Charts of accounts
- ✓ General ledger (GL) should include Federal direct and indirect cost

# COMPENSATION – PERSONAL SERVICES

## PURPOSE

Host/WBC should have documentation that lists the name of employees working on the grant project, their work hours, how often they were paid, and time devoted to the WBC grant project. Policies should show eligibility of fringe benefits, including accumulation of leave (vacation, sick, holiday pay).

## REQUIRED DOCUMENTS

- ✓ WBC employee roster
- ✓ Timesheet
- ✓ Time and effort report
- ✓ Payroll journal
- ✓ Time & attendance and effort policies and procedures
- ✓ Pay statements

# CONTRACT MANAGEMENT

## PURPOSE

Review the general ledger to confirm contract expenses.

**Note:** FEU or the contractor will ensure a *due-diligence search* was conducted before executing a contract.

## REQUIRED DOCUMENTS

- ✓ List of paid consultants and contractors
- ✓ If applicable, document(s) should show that:
  - 1) Three quotes were obtained for contracts over \$10K
  - 2) The Independent Contractor (consultant) Agreement
  - 3) Due Diligence search was conducted (2 CFR 200.318(h)).

# FINANCIAL RISK MONITORING AND MANAGEMENT

## PURPOSE

The Host/WBC is responsible for monitoring and managing its financial risk.

**Note:** The WBC should have addressed and/or closed out going concerns and deficiencies discussed in the independent auditor's report.

## REQUIRED DOCUMENTS

- ✓ Independent auditor's report



# **V. SUPPORT DOCUMENTATION**





# SUPPORT DOCUMENTATION

## PURPOSE

Host/WBC should maintain and retain support documentation for all transactions. Undocumented costs will be disallowed.

## REQUIRED DOCUMENTS

- ✓ Receipts
- ✓ Invoices
- ✓ Contracts
- ✓ Lease agreements
- ✓ Employment agreements, etc.



# **PART VI. COMMON DEFICIENCIES**



## COMMON DEFICIENCY #1 – Reporting

1. The totals reported on the SF-425 do not match the totals recorded on the general ledger (GL).
2. The totals reported on the SF-425 do not match the totals reported on the Certification of Cash Match and Program Income.

**Note:** In some cases, the WBC recorded overmatch funds on the GL but not on the SF-425.

# COMMON DEFICIENCY #2 – General Ledger

(1) The Host's Financial Management System Must Be Able To Segregate By Project Funds, Budget Category and Program Year:

- SBA Funds – Federal (Including reimbursed indirect cost)
- Matching Funds
  - Cash
  - Program Income
  - In-kind Contributions
  - Unrecovered (Waived) Indirect Costs (NICRA only)

(2) The Host Must Create Chart of Accounts Showing Accounting Codes For Each Project Fund, Budget Category and Program Year

(3) The Host Must Use The Accounting Codes Listed on The Chart of Accounts When Recording A Transaction on the WBC's General Ledger.

## COMMON DEFICIENCY #3: Contract Management

### Due Diligence Process:

A small independent contractor that assists the non-federal entity with conducting technical assistance (such as counseling and training) may not be registered in SAM.gov. Therefore, the non-federal entity will need to use a different tool or method to confirm the independent contractor has no outstanding federal debt and has not been debarred from federal contracting.

## COMMON DEFICIENCY #4: Indirect Cost

1. WBC did not use the correct negotiated indirect cost rate or indirect cost rate approved by OWBO.
2. The WBC was not authorized to use unrecovered indirect costs as matching support.
3. The WBC did not exclude certain expenses when calculating how much indirect costs can be charged to the WBC grant project.



# **VII. INTERVIEWS**



# KEY PERSONNEL AND OTHER

## INTERVIEWING THE WBC TEAM

**In General, The Meeting Agenda includes the Following Topics:**

- **Organizational Structure**
- **Internal Controls – Timesheets**
- **Internal Controls – Effort Reporting**
- **Internal Controls – Travel (local, In-State Overnight Stay and Out-of-State Travel)**
- **Internal Controls – Procurement Process (PC cards, Purchasing supplies and equipment with a value less than \$5K)**
- **Financial Oversight – Single Act/A-133 Audits, Internal Audits..**
- **Communications**
- **Receipts**
- **Proposed Findings or Examiner’s Comments**



# THANK YOU!

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