



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

JUL 13 2017

Mr. James Laipply
State Director
Small Business Development Center
Ohio Development Services Agency
77 South High Street, 28th floor
Columbus, Ohio 43215

RE: Biennial Financial Examination

Dear Mr. Laipply:

Enclosed is the final financial examination report of the Ohio SBDC Network for the Program Year 2016 conducted during April 2017.

We appreciate the high level of cooperation you demonstrated throughout the examination process.

If you have any questions regarding the final report, please contact Felicia Smith, Financial Examiner at Felicia.Smith@sba.gov or at (202) 205-7522.

Sincerely,

Adriana Menchaca-Gendron
Associate Administrator
for Small Business Development Centers

Enclosure

Cc:

Alex Kohls, SBA Project Officer
Ricardo Garcia, SBA District Director Acting
Lisa Younger, SBA Program Manager
ASBDC Accreditation Program Manager, Burke, VA

Small Business Administration

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

Financial Examination of the Ohio Small Business Development Center

Program Year 2016



Report No. 24-31

Date: 4/14/2017

Cooperative Agreement: SBAHQ-16-B-0015



April 14, 2017

To: Adriana Menchaca-Gendron
Associate Administrator for Small Business Development Centers

Through: Scott Henry 
Director OED Performance Management

A financial examination (on-site) was conducted starting the week of April 3, 2017, of the Ohio Small Business Development Center (OH-SBDC) network, including the lead center at Ohio SBDC at Columbus State Community College, Ohio SBDC at Lorain County Community College and Ohio SBDC at Terra Community College. The scope of the financial examination focused on validating the adequacy of the OH-SBDC network's financial management procedures to ensure compliance with financial laws, regulations, and policies of the 2016 SBDC Program.

The overall objective of the financial examination was to determine whether the OH-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 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, and other financial requirements of the SBDC Program.

Overall, OH-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 OH-SBDC for the cooperation and courtesies they afforded the Financial Examination Unit during this examination.

A handwritten signature in black ink, which appears to read "Felicia Daniels Smith".

Felicia Daniels Smith
Financial Examiner
Office of Entrepreneurial Development

Executive Summary:

A financial examination on-site review was conducted starting the week of April 3, of the Ohio Small Business Development Center (OH-SBDC) network including the lead center at Ohio SBDC at Columbus State Community College, Ohio SBDC at Lorain County Community College and Ohio SBDC at Terra Community College. The overall objectives of the Small Business Administration (SBA) financial examination process are to determine whether the OH-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 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 OH-SBDC network management to ensure compliance with policies, laws, and regulations of the 2016 SBDC Program. This was accomplished by reviewing OH-SBDC's compliance with the Reporting, Time and Effort, Cash Disbursements, Indirect Cost, and Program Income requirements of the SBDC Program.

OH-SBDC reported Federal expenditures of \$3,853,566.78 for the network, which was matched with \$3,259,567.00 in cash match, \$0 of In-Kind Contribution, and \$1,727,552.00 of Waived Indirect Costs.

There were no findings.

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 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 starting the week of April 3, 2017, and covered the SBDC operations for Program Year 2016. Our examination focused on the financial activities of the OH-SBDC. The Centers included in our review were as follows:

- Ohio Development Services Agency—Lead Center, Columbus, OH
- Ohio SBDC at Columbus State Community College, Columbus, OH
- Ohio SBDC at Lorain County Community, Lorain (Elyria), OH
- Ohio SBDC at Terra Community College, Fremont, OH

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, Office of Management Budget (OMB) Circular A-133 or Subpart F-Audit Requirements, 2 CFR Sections 200.501-200.520. Named users of this report are the SBA, the Ohio Development Services Agency and the OH-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

No Finding – Although reporting cycles were not tested by the financial examiner, the required financial reports have been submitted within SBA’s specified closing dates. In general, the general ledgers properly supported all requests for reimbursement submitted by the network service centers to the lead center.

Service Center Monitoring

No Finding – The examination included a review of sample transactions of Federal expenditures from the lead center and selected service center’s general ledgers, invoices and supporting documents. The review included samples of expenditures for personnel salaries and direct operating costs. The lead center has sufficient expertise, staffing, and procedures in place to oversee all financial activities of the OH-SBDC network.

Time & Effort

No Finding – 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.

Cash Disbursements (Federal and Matching)

No Finding - The examination included a review of transaction activity from the lead center and selected service center’s general ledger accounts. Invoices and support documentation, together with sample expenditures for personnel salaries and direct operating costs were used. Generally, ledgers properly supported all requests for reimbursement submitted by the service centers to the lead center. The examination included a test of 75 transactions:

- 25 transactions at the Lead Center
- 20 transactions at Ohio SBDC at Columbus State Community University
- 15 transactions at Ohio SBDC at Lorain County Community College
- 15 transactions at Ohio SBDC at Terra Community College

The Federal Financial Report, SF-425, was supported by a crosswalk spreadsheet maintained by the lead center. The lead center reported Federal expenditures of \$3,853,567.00 for the network, which was matched with \$3,259,567.00 in cash match.

The OH-SBDC network appears to have adequate controls in place to ensure that costs claimed by the service centers are reasonable, allowable, and allocable.

Indirect Costs

No Finding - The OH-SBDC network Federal Financial Report, SF-425, reported a total of \$2,010,838 for Indirect Costs. A detailed breakout of Indirect Cost shows the amount reimbursed by Federal funds for the period totaled \$283,286.00 with \$1,727,552.00 reported as waived indirect non-cash matching costs. The examiner reviewed all Indirect Cost agreements for the OH-SBDC network and found that Indirect Costs appeared to be calculated correctly and in accordance with documented agreements.

In-Kind Match

No Finding - The OH-SBDC network reported \$0 of In-Kind Match contributions for the period October 1, 2015 – September 30, 2016.

Program Income Receipts and Disbursements

No Finding - Program Income activity from the network was reported on SBA Form 2113 (Program Income Report) 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.

The lead center reported a network opening balance on October 1, 2015 of \$266,734.00 and \$200,760.00 in revenue and \$135,911.00 in expenses for the period. The OH-SBDC network reported a closing Program Income balance of \$331,583.00 for the period ending September 30, 2016.

A review of the ending balance shows that the OH-SBDC is within the 25% 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 as established in the Program Announcement and the Notice of Award and therefore the OH-SBDC is in compliance with this requirement.

Ohio Small Business Development Center
SBAHQ-14-B-0015

RESULTS OF CURRENT EXAMINATION

Results of our Examination of Cost Claimed on the Federal Financial Report (SF-425) for the
Period October 1, 2015 to September 30, 2016

	Item Number	Item Description	Claimed	Examiner Adjusted	Amount Adjusted	Ref. Page
Federal Cash						
	10a	Cash Receipts	\$2,512,997.59	\$0.00	\$2,512,997.59	
	10b	Cash Disbursements	\$3,853,566.78	\$0.00	\$3,853,566.78	
	10c	Cash on Hand (a minus b)	(\$1,340,569.19)	\$0.00	(\$1,340,569.19)	
Federal Expenditures and Unobligated Balance:						
	10d	Total Federal Fund Authorized	\$4,041,594.00	\$0.00	\$4,041,594.00	
	10e	Federal Share of Expenditures	\$3,853,566.78	\$0.00	\$3,853,566.78	
	10f	Federal Share of Unliquidated Obligations	\$0.00	\$0.00	\$0.00	
	10g	Total Federal Share (sum of lines e and f)	\$3,853,566.78	\$0.00	\$3,853,566.78	
	10h	Unobligated Balance of Federal Funds (line d minus g)	\$188,027.22	\$0.00	\$188,027.22	
Recipient Share:						
	10i	Total Recipient Share Required	\$3,853,566.78		\$3,853,566.78	
	10j	Recipient Share of Expenditures	\$4,987,119.05		\$4,987,119.05	
	10k	Remaining Recipient Share to be Provided (line i minus j)	(\$1,133,552.27)	\$0.00	(\$1,133,552.27)	
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 OH-SBDC network:

1. Is in compliance with Reporting requirements;
2. Is in compliance with monitoring of the financial activities of its Service Centers;
3. Is in compliance with Time & Effort reporting;
4. Is in compliance with monitoring of its 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.