



May 2014

# SMALL BUSINESS ADMINISTRATION

Cosponsored  
Activities Can Benefit  
Small Businesses but  
Lack a Consistent  
Feedback Mechanism

# GAO Highlights

Highlights of [GAO-14-260](#), a report to congressional requesters

## Why GAO Did This Study

Section 4(h) of the Small Business Act authorizes SBA to provide assistance for the benefit of small businesses through activities the agency cosponsors with eligible for-profit and nonprofit entities, as well as federal, state, and local government entities. Cosponsored activities can provide information on SBA programs and services or on subjects of interest to small businesses, bring together government and private sector resources and small business owners (generally for government contracting or financing initiatives), or celebrate the contributions of small business owners. GAO was asked to study SBA's use of its cosponsorship authority.

This report (1) describes the roles and responsibilities of SBA and cosponsors in planning, funding, and conducting cosponsored activities, and (2) examines the benefits cosponsored activities provide to small businesses. GAO reviewed relevant laws and regulations and SBA procedures, guidance, and official cosponsorship files. GAO conducted eight focus groups with a total of 48 small business entrepreneurs in three cities to obtain feedback on their experiences with cosponsored activities. GAO also interviewed cosponsors and SBA officials.

## What GAO Recommends

GAO recommends that SBA develop a mechanism to consistently obtain participant feedback on cosponsored activities. SBA generally agreed with this recommendation.

View [GAO-14-260](#). For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

May 2014

## SMALL BUSINESS ADMINISTRATION

### Cosponsored Activities Can Benefit Small Businesses but Lack a Consistent Feedback Mechanism

## What GAO Found

The Small Business Administration (SBA) and cosponsors share responsibilities for planning, funding, and conducting cosponsored activities. Before cosponsored activities take place, SBA field and program offices decide on the type and subject of the activity, solicit potential cosponsors, draft an agreement, agenda and budget, and designate a cosponsor as fiscal agent to collect, manage, and disburse any funds received. SBA's General Counsel or designee is responsible for reviewing draft cosponsorship agreements for legal sufficiency and determining whether any conflicts of interest exist with potential cosponsors. GAO's analysis of the official files for 132 cosponsored agreements SBA executed in fiscal year 2012 and other related materials showed that the activities were intended to provide training on a variety of topics, such as business planning and marketing, social media, and government contracting. SBA and cosponsors are both responsible for conducting the activity in accordance with the agreement. Following cosponsored activities, SBA field and program offices must submit a final cosponsorship report to SBA's Office of Strategic Alliances, which is responsible for maintaining the official files on these activities.

SBA does not consistently collect feedback related to the benefits that cosponsored activities provide to small businesses. Participants in focus groups that GAO held commented positively on the quality of the presentations and opportunities to network, among other things, offered by cosponsored activities. Participants also noted that they obtained information on topics useful to their small businesses, including financial management and the federal contracting process. SBA officials and representatives of cosponsors told GAO that the events provided attendees with access to services and resources from multiple organizations in a single venue and often included counseling and referrals to other resources. Although the Small Business Act specifies that SBA cosponsored activities provide benefits to small businesses, it does not specify how SBA should identify and measure benefits. Some SBA district office staff told GAO that they solicited participant feedback on cosponsored events through a survey, evaluation, or questionnaire. GAO also found that obtaining periodic participant feedback is an integral part of a 7-month training initiative, called the Emerging Leaders Initiative, conducted using cosponsorship authority. However, SBA officials told us that obtaining formal feedback was not required and that the agency did not have a policy on soliciting and using it. Cosponsors GAO met with noted the importance of obtaining participant feedback and entrepreneurs GAO spoke to also identified ways in which the cosponsored activities could have been improved. Federal internal control standards state that federal agencies should have appropriate policies, procedures, techniques, and mechanisms for each of their activities, including those to ensure compliance with key requirements. Obtaining feedback on cosponsored events would provide SBA with direct information from small business participants that could be used to help ensure that events are providing benefits to small businesses. Such information could also provide another way for SBA to evaluate the use of its cosponsorship authority.

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## Abbreviations

BAT	Business Assistance Trust Fund
FMFIA	Federal Managers' Financial Integrity Act
GSA	General Services Administration
LGBT	Lesbian, Gay, Bisexual, and Transgender
MSA	Metropolitan Statistical Areas
OIG	Office of Inspector General
OSA	Office of Strategic Alliances
SBA	Small Business Administration
SOP	Standard Operating Procedure

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May 30, 2014

The Honorable James E. Risch  
Ranking Member  
Committee on Small Business and Entrepreneurship  
United States Senate

The Honorable Sam Graves  
Chairman  
Committee on Small Business  
House of Representatives

The Small Business Administration (SBA) helps Americans start, build, and grow businesses by expanding access to capital, providing counseling and training, taking actions to increase federal contracting and subcontracting opportunities, and serving as a voice for small business. SBA utilizes its network of field offices and partnerships with public and private organizations to provide assistance to small businesses. SBA enters into cosponsorship agreements when the agency seeks to provide assistance (generally training, education, or dissemination of information) to small businesses in partnership with for-profit and nonprofit entities and other governmental entities or officials (federal, state, or local). According to SBA, cosponsored activities allow the agency to leverage public and private resources in order to provide a benefit to small businesses. Section 4(h) of the Small Business Act (the act) provides SBA with the authority to provide assistance for the benefit of small businesses through cosponsored activities with eligible entities.<sup>1</sup> Our analysis of the information SBA maintains on cosponsorship agreements showed that

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<sup>1</sup>15 U.S.C. § 633(h). Section 4(h) of the Small Business Act was originally enacted by Section 132 of the Small Business Reauthorization and Manufacturing Assistance Act of 2004, which was Division K of the Consolidated Appropriations Act of 2005, Pub. L. No. 108-447. The cosponsorship authority provided in Section 4(h) was originally to sunset on October 1, 2006. However, the sunset date has been repeatedly extended by various laws, most recently by the Consolidated Appropriations Act of 2014, Pub. L. 113-76, 128 Stat. 223 (2014). Unless extended once again, Section 4(h) will sunset at the close of the current fiscal year (Sept. 30, 2014).

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the agency executed 132 agreements in fiscal year 2012.<sup>2</sup> The budgeted direct costs of the activities conducted under these agreements totaled \$3.8 million, of which approximately \$967,000 was to be funded by SBA.<sup>3</sup> SBA expected that the activities conducted under these agreements would provide assistance to almost 50,000 small businesses.<sup>4</sup> Examples of activities SBA has conducted under cosponsorship agreements include the annual National Small Business Week, which recognizes the contributions and accomplishments of small business owners and those that support small businesses, and the Emerging Leaders Initiative, which provides executives from small businesses with resources and support to build and sustain their businesses.

You requested that we study SBA's use of its cosponsorship authority. In this report, we (1) describe the roles and responsibilities of SBA and cosponsors in planning, funding, and conducting cosponsored activities; and (2) examine the benefits cosponsored activities provide to small businesses.

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<sup>2</sup>The act requires that the SBA Office of Inspector General (OIG) report semi-annually to Congress on the agency's use of cosponsorship authority. The OIG reported that SBA fully executed 97 cosponsorship agreements during fiscal year 2012. More specifically, the OIG reported that SBA fully executed 49 cosponsorship agreements in its Spring 2012 Semiannual Report to Congress (which summarizes activities from October 1, 2011 to March 31, 2012) and 48 cosponsorship agreements in its Fall 2012 Semiannual Report to Congress (which summarizes activities from April 1 to September 30, 2012). We found that the OIG reports did not include all of the cosponsorship agreements SBA executed in fiscal year 2012. Further, we found that the reports included some agreements that had been executed but were subsequently cancelled and other agreements that duplicated those that had been previously reported.

<sup>3</sup>SBA's procedures on cosponsored activities define direct costs as those expenses that can be specifically attributed to the delivery of the cosponsored activity (i.e., would not be incurred but for the activity). Direct costs may include, among other things, room rental, refreshments, fees for speakers not employed by SBA or a cosponsor, and copies of workbooks or other handouts to be used during the cosponsored activity. Indirect costs and other costs excluded from the budget include employee salaries and benefits, cosponsor or SBA's travel, and copying of non-cosponsored materials. Further, these budgets do not include in-kind contributions of goods and services that do not have a readily determinable value.

<sup>4</sup>SBA and its resource partners conduct various outreach activities, including those under cosponsorship and cooperative agreements. According to SBA, the agency and its resource partners provided in-person and online training to 960,212 clients in fiscal year 2012. As discussed later in this report, the assistance SBA provided small businesses under cosponsorship agreements executed in fiscal year 2012 included training and other activities.

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To describe the roles and responsibilities of SBA and cosponsors in planning, funding, and conducting cosponsored activities, we reviewed Section 4(h) of the act, implementing regulations, and SBA's standard operating procedures and guidance related to its use of cosponsorship authority.<sup>5</sup> We also interviewed officials and staff from SBA's Office of Strategic Alliances and Office of General Counsel, officials from six district offices and staff from five of those district offices, and representatives from 10 entities that cosponsored activities during calendar years 2012 or 2013 to gain an understanding of the roles and responsibilities of SBA and cosponsors related to planning, funding, and conducting cosponsored activities. We requested the official file for each cosponsorship agreement SBA executed in fiscal year 2012 as listed in a spreadsheet the agency maintains on the status of these agreements.<sup>6</sup> Based on our independent review of the information in the official file and other materials, we identified the type of activity, subject matter, and amount and type of budgeted direct costs of the activities for each agreement, as well as whether each agreement included a responsibility for SBA or a cosponsor to obtain participant feedback. In addition, we identified the specific roles and responsibilities of SBA and cosponsors for a nonprobability sample of cosponsorship agreements SBA executed in fiscal year 2012. The selected agreements represented a variety of eligible entities, allowable activities, expected number of businesses assisted, and direct costs. We assessed the reliability of the spreadsheet data SBA maintains on the status of cosponsorship agreements by reviewing it for obvious errors and comparing the data for selected agreements to SBA's official files. We determined that the data were sufficiently reliable for the purposes of determining the number of executed cosponsorship agreements and the associated date of execution and budgeted direct cost for these agreements.

To examine the benefits cosponsored activities provide to small businesses, we conducted eight focus groups in three cities with 48 individuals (including prospective and current small business owners) who had attended one of three SBA cosponsored activities conducted in 2012 and 2013 to obtain information about their experience including

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<sup>5</sup>13 C.F.R §§ 106.101–106.204.

<sup>6</sup>SBA executed more than 132 agreements in fiscal year 2012, but some of these agreements were subsequently cancelled.

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benefits realized and suggestions for improving the activity.<sup>7</sup> The results of these focus groups are not generalizable, but do provide insights on participants' perceptions of the benefits received by attending a cosponsored activity. In addition, we interviewed key officials at SBA headquarters in Washington, D.C., and six SBA district offices and staff from five of those district offices to obtain their perspectives on the benefits small businesses receive from attending cosponsored events and information on how the offices evaluate the results of these.<sup>8</sup> We also interviewed representatives from 10 entities that cosponsored activities during calendar years 2012 and 2013 to obtain their perspectives on the benefits cosponsored activities provide to small businesses.

We conducted this performance audit from January 2013 to May 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. See appendix I for more details on our objectives, scope, and methodology.

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## Background

SBA's standard operating procedures on outreach activities establish the agency's policy on cosponsored activities and are governed by the cosponsorship authority provided to the agency under Section 4(h) of the act, SBA's regulations implementing cosponsorship authority, and Office of Government Ethics regulations.<sup>9</sup> SBA's procedures define, among

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<sup>7</sup>The cosponsored activities that focus group participants attended included the Emerging Leaders Initiative, Doing Business with Federal Procuring Agencies series, and Small Business Talk series. We selected these events because the cosponsored activities had occurred within the 12 months preceding the focus groups. Additionally, the cosponsored activities had a significant number of expected attendees, which would increase the likelihood of success in soliciting our targeted number of focus group participants (8 to 12 people).

<sup>8</sup>The six district offices interviewed were Georgia, Michigan, New York City, North Dakota, Santa Ana, and South Florida. We selected four of the district offices based primarily on the frequency with which the office conducted cosponsored activities in fiscal years 2010 to 2012 and interviewed officials and staff from the remaining two district offices because of their role in events we selected for our focus group.

<sup>9</sup>Small Business Administration Standard Operating Procedure (SOP) 90 75 3, *Outreach Activities* (Washington, D.C.: Apr. 27, 2007).

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other things, the entities SBA may enter into a cosponsorship agreement with, certain activities that may and may not be performed as cosponsored activities, and how cosponsored activities may be funded. For example, SBA may enter into a cosponsorship agreement with any eligible entity with whom such partnership would not create a conflict of interest with the agency. Eligible entities can include for-profit or nonprofit entities, or any federal, state, or local government official or entity.<sup>10</sup>

SBA's procedures on outreach activities also define certain activities that may be performed as cosponsored activities, described by the following examples:

- *Training:* Activity must include delivery of an instructional program—either in person or on-line—that provides information on or experiences with SBA programs or services or a business-related subject.
- *Matchmaking:* Activity (generally government contracting or financing initiatives) that brings together government and private-sector resources and small business owners. Matchmaking events are permissible so long as the activities are not exclusive to any one group or do not benefit only one entity. No business transactions (e.g., signing of contracts) can take place during the cosponsored activity.
- *Counseling:* One-to-one counseling may be a part of an activity only if the counseling is performed by an SBA employee or by an SBA grantee that provides counseling services as part of its SBA-funded activity.
- *Web pages or websites:* A cosponsored web page or website can refer to a variety of activities including (1) the actual cosponsored activity itself; (2) a means to host the cosponsored activity (i.e., online training, digital publication or podcast); or (3) a means to advertise or register participants for the cosponsored activity. The web page or

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<sup>10</sup>SBA's procedures on outreach activities define a cosponsor as "an entity or individual that has signed a written cosponsorship agreement with SBA and who actively and substantially participates in planning and conducting an agreed upon cosponsored activity." These procedures also state that individuals other than government officials are not eligible to be a cosponsor and all entities must be legal entities authorized to conduct business in the United States.

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website must include information or links to SBA programs and services and cannot include commercial activity.

- *Recognition:* Activity that celebrates the contributions of small business, small business owners, or small business advocates.

In addition, SBA's procedures define activities that may not be performed as cosponsored activities, including political and fundraising activities, and activities that are solely or primarily a networking or social reception and do not provide a formal opportunity for SBA to make a presentation on SBA programs and services.

Further, SBA's procedures define the various ways cosponsored activities may be funded. Cosponsors may provide cash or an in-kind contribution, a cosponsor may charge a participant fee to cover the direct costs of providing the cosponsored activity, or SBA may accept a gift under its gift acceptance authority to support cosponsored activities.<sup>11</sup> SBA also may use appropriated funds to support a cosponsored activity. However SBA must purchase the product or service directly (following the appropriate procurement process) and provide that product or service to the cosponsored activity as an in-kind contribution. Additionally, SBA's procedures note that funds to support a cosponsored activity may be used for nearly any expense so long as that type of expense is approved as part of the proposed cosponsorship budget, is a direct cost of the activity, and is necessary and integral to the activity.

SBA district office officials and staff we spoke to said that they consider various factors when making a decision to provide assistance to small businesses under a cosponsorship agreement, including whether a potential cosponsor has expertise in a particular area such as lending or

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<sup>11</sup>Cosponsors may contribute cash to support the cosponsored activity by writing a check or wiring funds to the fiscal agent. The fiscal agent is responsible for collecting, managing, and expending each cosponsor's cash contribution. In lieu of cash, SBA and cosponsors may contribute products and services which may be used to provide logistical or administrative support to the cosponsored activity—not including a product or service of the cosponsor(s). SBA must place cash gifts in the agency's Business Assistance Trust Fund; donations to SBA must not be construed as gifts to the cosponsored activity.

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exporting, has resources necessary to conduct an event such as space, or could provide funding to cover these and other event costs.<sup>12</sup>

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## SBA and Cosponsors Jointly Plan, Fund, and Conduct Cosponsored Activities

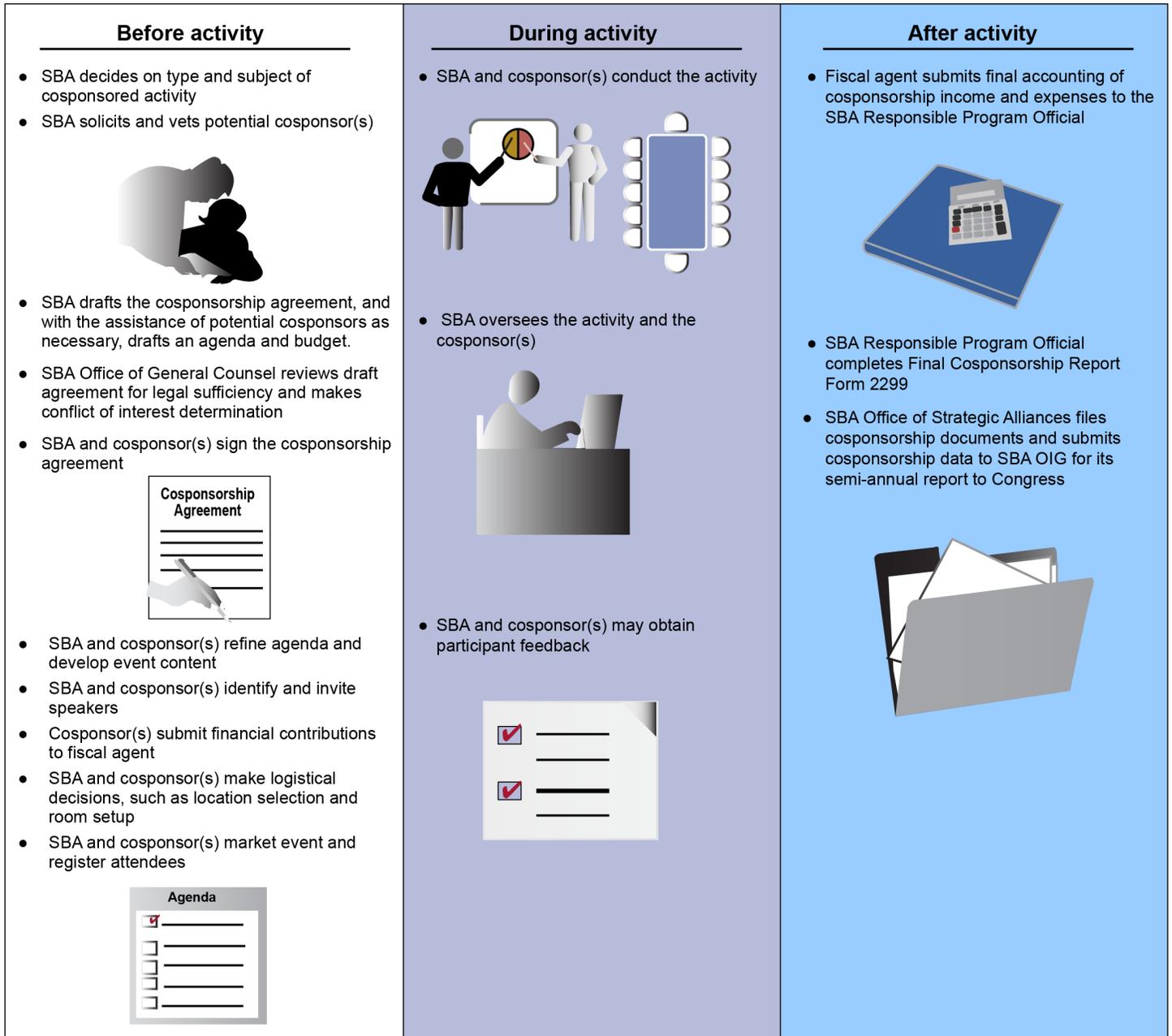
SBA and cosponsors share responsibilities for planning, funding, and conducting cosponsored activities. SBA's procedures on outreach activities generally describe the roles and responsibilities of the various offices within SBA. In addition, cosponsorship agreements between SBA and cosponsors describe each party's specific responsibilities; the division of responsibilities and the extent to which SBA and cosponsors share responsibilities differed in the agreements we reviewed. Figure 1 illustrates the key responsibilities of SBA and cosponsors before, during, and after cosponsored activities.<sup>13</sup>

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<sup>12</sup>Appendix II provides a more detailed list of the various factors that district office officials and staff told us that they consider in deciding whether to utilize cosponsorship authority to conduct an outreach activity.

<sup>13</sup>The cosponsorship process includes SBA internal controls that exist to ensure compliance with applicable laws and regulations. In September 2013, SBA's OIG reported that, based on an audit it conducted, SBA did not fully implement effective controls over its cosponsored activities and made eight recommendations to SBA to strengthen controls and oversight. See appendix III for a summary of the OIG's findings and recommendations, the required procedures that the OIG found SBA had not complied with, and SBA's responses to the OIG's findings and recommendations.

**Figure 1: Key Responsibilities of SBA and Cosponsors in Planning, Funding, and Conducting Cosponsored Activities**



Source: GAO analysis of SBA information.

Before a cosponsored activity takes place, SBA and cosponsors have several key responsibilities, as the following examples illustrate.

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*Determining type and subject of activity.* SBA field and program offices are responsible for originating cosponsored activities. As previously stated, our analysis of the information SBA maintains on cosponsorship agreements showed that the agency executed 132 cosponsorship agreements in fiscal year 2012. In addition, our review of the official file for these agreements and other related materials showed that more than 80 percent of them included training activities, about 20 percent included recognition activities, and about 17 percent included matchmaking activities.<sup>14</sup> Further, the subject matter of the activities conducted under these agreements varied and included business planning and marketing, social media, e-commerce, technology, franchising, employment practices and employee benefits, tax planning and other legal issues, and government contracting.

*Making conflict-of-interest determinations.* SBA field or program offices that originate cosponsored activities are responsible for vetting nonprofit and governmental entities; SBA's Office of Strategic Alliances is responsible for vetting for-profit entities and upon request may assist originating offices in vetting nonprofit and government entities. Vetting is the process of gathering information to determine whether potential cosponsors have an actual or apparent conflict of interest with SBA that would preclude them from cosponsoring an activity.<sup>15</sup> The information gathered during the vetting process is submitted to SBA's General Counsel or designee to determine whether any conflicts of interest exist. The SBA Form 1615 documents the conflict-of-interest determination.

*Preparing cosponsorship agreement, agenda and budget.* Initially, SBA will prepare a draft cosponsorship agreement and, with the assistance of potential cosponsors as necessary, drafts an

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<sup>14</sup>Events conducted under cosponsorship agreements can include multiple cosponsored activities. For example, an event on government contracting can include both training and matchmaking activities.

<sup>15</sup>According to SBA's procedures on outreach activities and guidance provided to district counsel, recipients of 8(a), Small Disadvantaged Business or Historically Underutilized Business Zones (HUBZone) Certifications, SBA guaranteed loans, or certificates of competency or surety bond guarantees, and entities in litigation with SBA, are ineligible to serve as cosponsors of an SBA outreach activity or event.

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agenda and budget. Cosponsorship agreements, among other things, describe the purpose of the activity or event, provide the dates and locations of the event and estimated number of attendees, and include, as applicable, a draft agenda and budget for the activity or event.<sup>16</sup> After SBA's General Counsel or their designee determines that no conflicts of interest exist with potential cosponsors and reviews the draft cosponsorship agreement for legal sufficiency, SBA field and program offices—with assistance from cosponsors—will work to finalize the agreement and develop a proposed budget for the activity that lists the sources of income, such as cash and in-kind contributions from cosponsors, in-kind contributions from SBA, and fees paid by participants, and the estimated cost of conducting the cosponsored activity. Some SBA district office officials told us that, beyond available human resources and the district office's own space, they do not have an abundance of discretionary funds to spend on cosponsored activities and they leverage the resources of cosponsors because of this. SBA is responsible for designating a cosponsor as fiscal agent when the cosponsored activity expects to receive cash contributions from cosponsors or fees from participants. The fiscal agent is responsible for collecting, managing, and disbursing cosponsorship funds and establishing a separate mechanism to account for all cosponsorship funds that prevents commingling of cosponsorship funds with the fiscal agent's own funds.<sup>17</sup>

Our review of the proposed budgets for all fiscal year 2012 cosponsorship agreements showed that SBA funded direct costs in less than half of the agreements, and when it did it generally funded costs for course materials and instructors, printing, postage, marketing activities, and awards. Table 1 provides information on the budgets for cosponsorship agreements SBA executed in fiscal year 2012. The largest direct cost SBA funded in fiscal year 2012 was \$810,475 for the course materials and

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<sup>16</sup>Cosponsorship agreements also set forth other requirements, such as the term of the cosponsorship, conditions for amending or terminating the agreement, and a statement that SBA and cosponsors will receive appropriate recognition on all cosponsorship materials.

<sup>17</sup>13 C.F.R § 106.202(d) prohibits cosponsors from making a profit on any cosponsored activity.

instructors for the Emerging Leaders Initiative, a 7-month training program provided to small business executives in more than 20 cities (under separate cosponsorship agreements) across the country.

**Table 1: Fiscal Year 2012 Cosponsorship Agreements Budgets**

Cosponsorship name	Cosponsorship budget	Amount funded by cosponsors and fees	Amount funded by SBA	Type of costs funded by SBA
Emerging Leaders Initiative (e200) <sup>a</sup>	\$862,830	\$52,355	\$810,475	Course materials and instructors
National Small Business Week <sup>b</sup>	585,000	585,000	0	None
Connecticut Business Expo <sup>c</sup>	281,770	266,770	15,000	Postage
Business Women’s Forum <sup>d</sup>	256,000	241,000	15,000	Mailing
Many Faces One Dream Tour <sup>e</sup>	240,000	240,000	0	None
America East Conference for SBA Lenders <sup>f</sup>	146,570	146,570	0	None
Business Showcase 2012 <sup>g</sup>	103,800	97,000	6,800	Postage
All other cosponsorship agreements with budgets less than \$100,000	1,289,570	1,170,279	119,291	Various
<b>Total</b>	<b>\$3,765,540</b>	<b>\$2,798,974</b>	<b>\$966,566</b>	

Source: GAO analysis of SBA information.

<sup>a</sup>Emerging Leaders (e200) is an initiative with activities that include executive training and peer-to-peer coaching sessions. The training component provides 15 to 20 participants in more than 20 cities (under separate cosponsorship agreements) with more than 100 hours of intensive training over a 7-month period. The training curriculum focuses on various topics, including business growth planning, financial statement analysis, sales and marketing, access to capital, and government contracting. The curriculum is designed to support companies that have achieved local success and are ready for the next level of growth.

<sup>b</sup>National Small Business Week is SBA’s annual event to celebrate the contributions and accomplishments of small businesses from across the country. This 3-day event includes guest speakers and workshops on a variety of subjects as well as business matchmaking sessions between federal and corporate “buyers” and small business “suppliers.”

<sup>c</sup>Connecticut Business Expo is a 1-day event that consists of educational seminars, training sessions, and business expo that provides an educational outreach opportunity to inform and prepare existing and potential small business owners in the Greater Hartford, Connecticut, area.

<sup>d</sup>Business Women’s Forum is a 1-day conference designed to assist women with present changes and future challenges and to educate women on how to manage their finances and reinvent themselves in this economy, and how and where to access capital and the opportunities available to them in the contracting arena.

<sup>e</sup>Many Faces One Dream Tour is a 2-day event to be conducted in multiple cities that have a significant Lesbian, Gay, Bisexual, and Transgender (LGBT) presence in communities of color. The event includes two different training tracks on the first day—Starting Your Business and Taking Your Business to the Next Level—and training on financial literacy and workforce development and one-on-one counseling sessions with SBA resource partners on the second day.

<sup>f</sup>America East Conference for SBA Lenders is a 3-day conference that provides new and seasoned SBA lenders with training, updates on all SBA programs and initiatives, and access to SBA staff, industry specialists, and lenders from across the country.

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<sup>9</sup>Business Showcase 2012 is a 1-day event consisting of educational seminars, training sessions, and business expo. Areas covered include business finance, marketing and government procurement opportunities, and federal, state, and local assistance.

SBA and cosponsors are both responsible for conducting activities in accordance with the cosponsorship agreements. During a cosponsored activity, SBA is responsible for ensuring that activities are conducted according to the terms and conditions established in the cosponsorship agreements, SBA's procedures on outreach activities, and applicable laws and regulations.<sup>18</sup> We noted that some fiscal year 2012 cosponsorship agreements we reviewed included specific responsibilities for SBA or cosponsors to obtain feedback from participants in the activities.<sup>19</sup> For example, one cosponsorship agreement for an activity designed to assist small businesses in becoming export-and-import ready stated that SBA was responsible for preparing, distributing, collecting, and tabulating evaluations of each seminar, and sharing the data with the cosponsors. In addition, another cosponsorship agreement for an activity designed to provide information on changes to state and federal laws and regulations affecting employers stated that SBA was responsible for preparing, collecting, and tabulating evaluations of the event. One SBA district office staff person we met with during our audit told us that cosponsorship agreements do not always include a specific responsibility for SBA or cosponsors to obtain participant feedback.

Following a cosponsored activity, the responsible program official from the SBA field or program office must submit a signed final report on the activity (SBA Form 2299) to SBA's Office of Strategic Alliances.<sup>20</sup> SBA's procedures require that the final report include (1) a final accounting

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<sup>18</sup>SBA's procedures note that government ethics rules govern the conduct of SBA employees when planning and participating in a cosponsored activity and prohibit actions such as showing preferential treatment towards a private individual or entity, or promoting the products or services of any cosponsor during the course of an activity.

<sup>19</sup>We identified nine cosponsorship agreements and other related materials, such as agendas, that explicitly stated or suggested that SBA, cosponsors, or both would administer feedback evaluations to participants.

<sup>20</sup>SBA's procedures on outreach activities define a Responsible Program Official as the SBA senior management official from the originating office who is accountable for the cosponsored activity. If the originating office is a district or branch office, the Responsible Program Official is the district director or their deputy. In headquarters, the Responsible Program Official is the management board member or their deputy with responsibility for the relevant program area.

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report of the activity's income by source and itemized list of expenses from the cosponsor designated as fiscal agent, along with information on the disposition of any excess funds; (2) the actual number of small businesses assisted or attendees; and (3) a copy of the final budget. SBA's Office of Strategic Alliances is also responsible for maintaining the agency's official cosponsorship files.

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## Collecting Feedback from Participants Would Help SBA Evaluate Cosponsored Activities and Its Use of Cosponsorship Authority

SBA does not systematically collect feedback on the benefits that cosponsored activities provide to small businesses. However, participants in all eight focus groups that GAO held described various benefits they received from attending specific cosponsored activities. In addition, according to SBA officials, cosponsored activities enable the agency to combine public and private resources and provide assistance to small businesses at little or no cost. SBA officials and cosponsors also said that cosponsored activities provided participants with convenient access to services and resources from multiple organizations in a single location and often included counseling and training. Some SBA district office staff we met with told us that they collected feedback from participants at cosponsored activities—for instance, through a survey, evaluation, or informal follow-up—and as previously noted some fiscal year 2012 cosponsorship agreements we reviewed included specific responsibilities for SBA or cosponsors to collect participant feedback. However, SBA officials told us that the agency did not have a formal policy that required the collection of such information.

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## Focus Group Participants, SBA, and Cosponsors Generally Reported That Cosponsored Activities Benefited Small Businesses

Our focus group participants identified benefits they received from attending cosponsored activities and also noted that they obtained information on topics useful to their small business (see fig. 2).<sup>21</sup> For example, participants from all eight focus groups commented positively on the quality of the presentations and nearly all of the focus group participants said that the opportunity to network was beneficial. In addition, the focus group participants most often cited topics that provided information on how to develop and implement a business expansion plan

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<sup>21</sup>During the focus groups, we asked participants how they benefited from attending the activity. Based on their responses we developed broad themes that we used to categorize the types of benefits identified, by each focus group. Appendix IV provides additional information on the results of the focus groups including selected characteristics of the participants.

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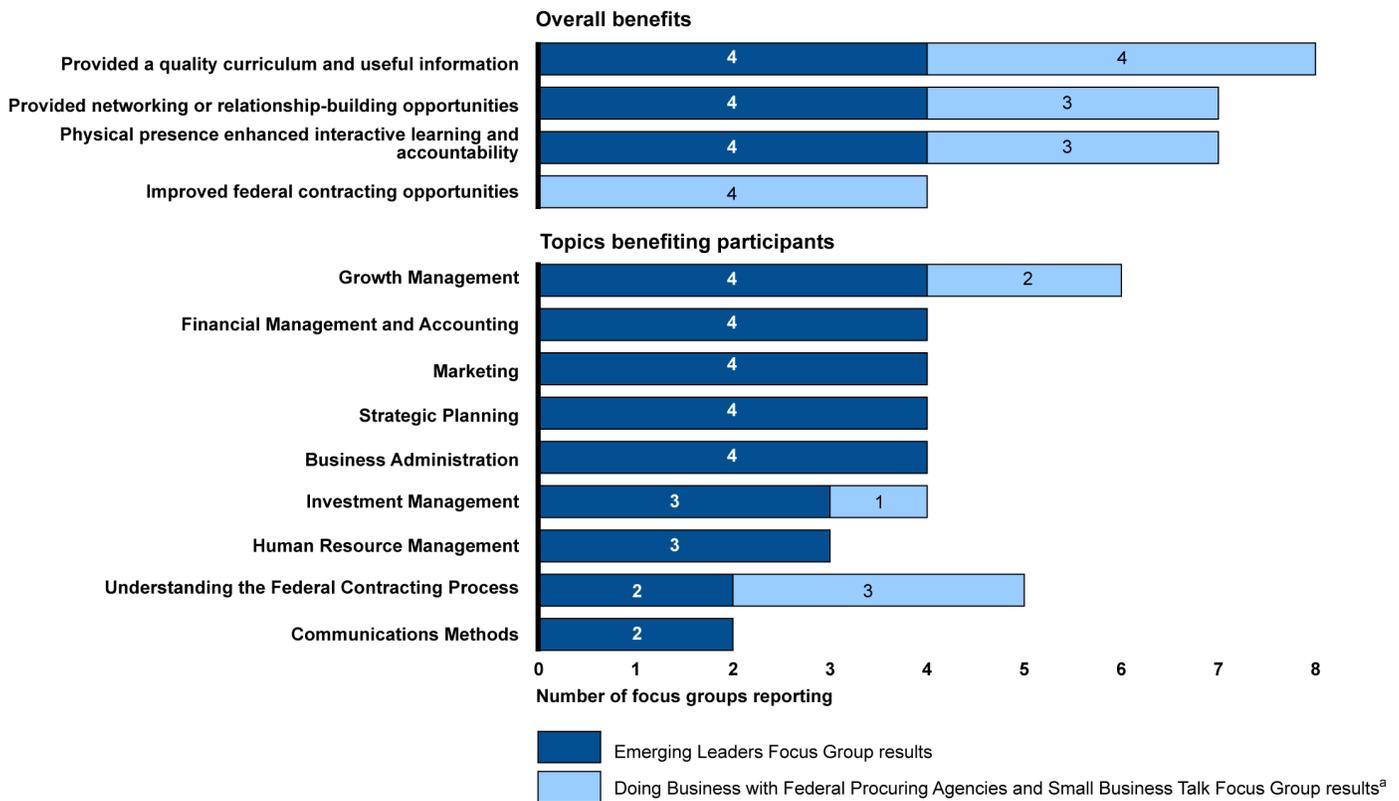
(growth management) and information about the federal contracting process as being useful to their business. Further, the benefits reported were directly related to the type of cosponsored activity. For example, those attending the Emerging Leaders Initiative, which emphasized business management skills, reported obtaining information on topics such as financial management, strategic planning, and marketing as being useful.<sup>22</sup> Likewise, those attending cosponsored activities focused on federal contracting, such as the Doing Business with Federal Procuring Agencies and the Small Business Talk series, reported obtaining information on understanding the federal contracting process as being useful.<sup>23</sup>

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<sup>22</sup>The Emerging Leaders Initiative provides a curriculum consisting of five modules covering (1) business and leadership, (2) financial management, (3) marketing and sales, (4) resource management, and (5) Strategic Growth Action Plans. The concept supports small companies that have achieved local success and are ready for the next level of growth. The targeted outreach identifies CEO-level executives from small businesses in select communities across the country, that show a high potential for growth, and among other things, provides the businesses with the support network and training resources required to build and sustain businesses of size and scale within designated communities.

<sup>23</sup>The two SBA events covering contracting topics included two monthly series, entitled "Doing Business with Federal Procuring Agencies" and "Small Business Talk." The Doing Business with Federal Procuring Agencies series included both training and matchmaking for various industries with different federal procuring agencies to assist about 800 businesses in total. The Small Business Talk series was entitled "Fiscal Year 2013 GSA Schedule Proposal Writing Series," and consisted of three parts: (1) The Administrative Process, (2) The Technical Proposal, and (3) The Price Proposal.

**Figure 2: Perceived Benefits of Attending an SBA Cosponsored Activity Reported by Participants in GAO Focus Groups**



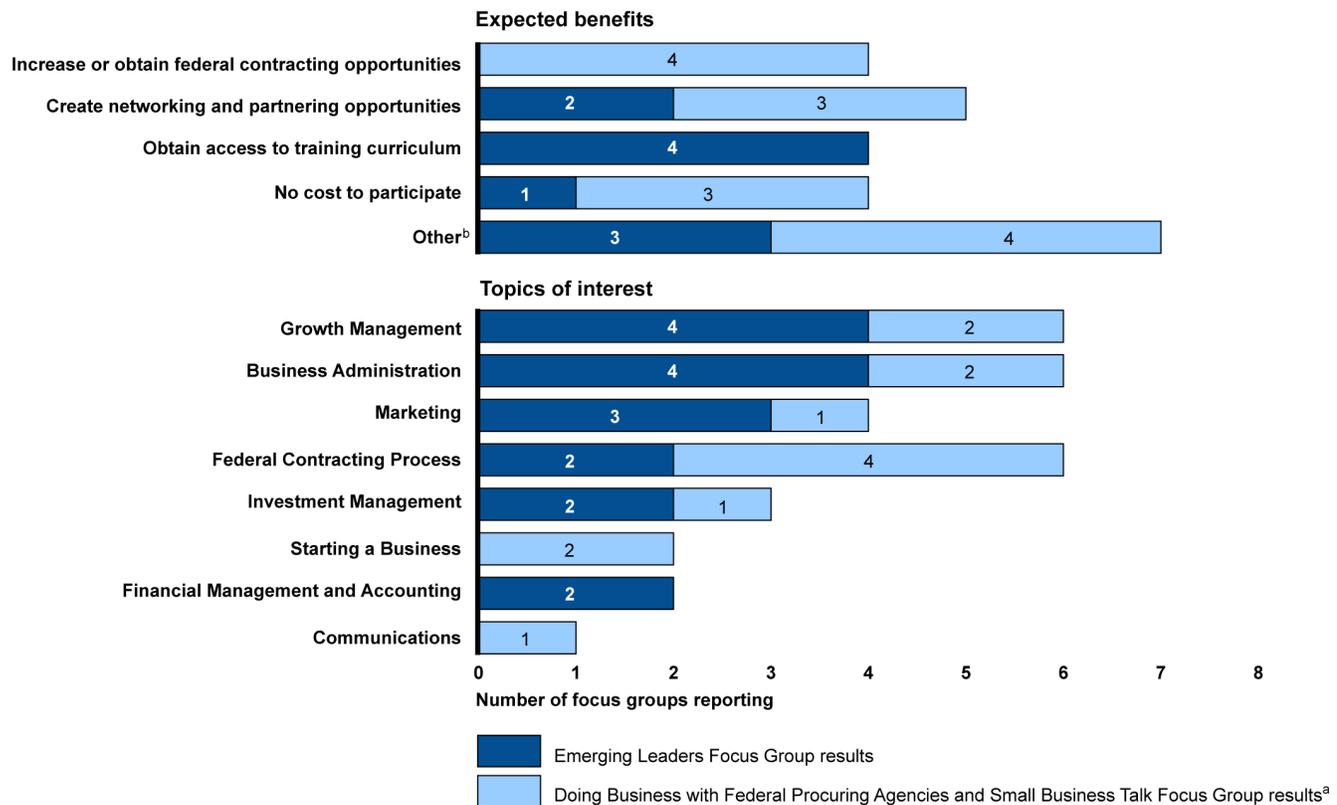
Source: GAO analysis of focus group results.

Note: GAO conducted a total of four focus groups for Emerging Leaders Initiative cosponsored activities occurring in 2012 and 2013 and a total of four focus groups for Doing Business with Federal Procuring Agencies and Small Business Talk cosponsored activities occurring in 2013. A total of 48 individuals participated in the focus groups, with individual focus group attendance ranging from 3 to 11. During each of the eight focus groups, we asked participants how they benefited from attending the activity. Based on their responses, we developed broad themes that we used to categorize the types of benefits identified, by each focus group.

<sup>a</sup>For the analysis, the focus group results for the Doing Business with Federal Procuring Agencies and the Small Business Talk series were combined because they both dealt with government contracting.

Focus group participants also described their reasons for attending certain cosponsored activities (see fig. 3). For example, focus group participants told us that networking and partnering opportunities and improved federal contracting opportunities were among the primary reasons why they attended the cosponsored activity. In addition, the participants noted in 6 of 8 focus groups that growth management, business administration, and the federal contracting process were topics of interest that led them to attend the cosponsored activity.

**Figure 3: Reasons for Attendance at Cosponsored Activities Held in Fiscal Years 2012 and 2013**



Source: GAO analysis of focus group results.

Note: GAO conducted a total of four focus groups for activities cosponsored under the Emerging Leaders Initiative in 2012 and 2013 and a total of four focus groups for cosponsored activities associated with Doing Business with Federal Procuring Agencies and Small Business Talk series in 2013. During the focus groups, we asked participants why they chose to attend the specific activities. Based on their responses, we developed broad themes that we used to categorize the reasons for attending the cosponsored activity identified, by each focus group.

<sup>a</sup>For the analysis, the focus group results for the Doing Business with Federal Procuring Agencies and the Small Business Talk series were combined because they both emphasized contracting-related activities.

<sup>b</sup>Examples of “other” responses included (1) the ability to question SBA representatives about participant’s existing contract, and (2) the opportunity to hear about the struggles of other businesses.

We also noted that the number of focus groups citing certain benefits received from attending the cosponsored activity was higher than the number of groups citing this benefit as a primary reason for attending the cosponsored activity. For example, participants in all eight focus groups cited the quality of the curriculum as a benefit received from attending the cosponsored activity (see fig. 2); participants in four focus groups had mentioned obtaining access to the training curriculum as a reason for

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attending (see fig. 3). Similarly, participants in seven of eight focus groups cited networking or relationship building as a benefit received from attending the cosponsored activity, while participants in five focus groups said that the possibility of identifying such opportunities had helped motivate them to attend.

SBA officials told us that having cosponsorship authority allowed the agency to benefit small businesses by combining public and private resources to offer activities and that the events offered benefits that SBA or the cosponsors alone could not provide. Both SBA officials and cosponsors told us that the activities provided attendees with “one-stop shopping,” including access to services and resources from multiple organizations, counseling, and referrals. SBA officials added that when multiple entities acted as cosponsors, small businesses gained a better understanding of the services each entity offered and the way the entities worked together to service small businesses. For example, a district office official said that one Emerging Leaders Initiative cosponsor specialized in business development and another in financing, allowing participants to learn about both opportunities for expanding their businesses. Further, many cosponsored events are offered for free, which an SBA official noted was an important benefit to small businesses that might not be able to spare money for attendance fees. Cosponsors generally shared SBA’s views, with one cosponsor citing one-stop shopping as a benefit.

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### Some SBA District Offices Informally Collect Participant Feedback on Cosponsored Activities

Although the act specifies that SBA cosponsored activities provide benefits to small businesses, it does not specify how SBA should identify and measure benefits. Some SBA district office staff we met with told us that they sought to obtain feedback from attendees at cosponsored activities through various means, including surveys, evaluations, and informal follow-up with participants and cosponsors. However, SBA officials told us that the agency did not have a formal policy requiring the collection and use of participant feedback on cosponsored activities. An SBA official told us that the agency had at one time obtained feedback from participants using an Office of Management and Budget approved survey instrument, but added that SBA did not seek to renew the survey instrument once it had expired. As previously noted, some fiscal year 2012 cosponsorship agreements we reviewed included specific responsibilities for SBA or cosponsors to obtain feedback from

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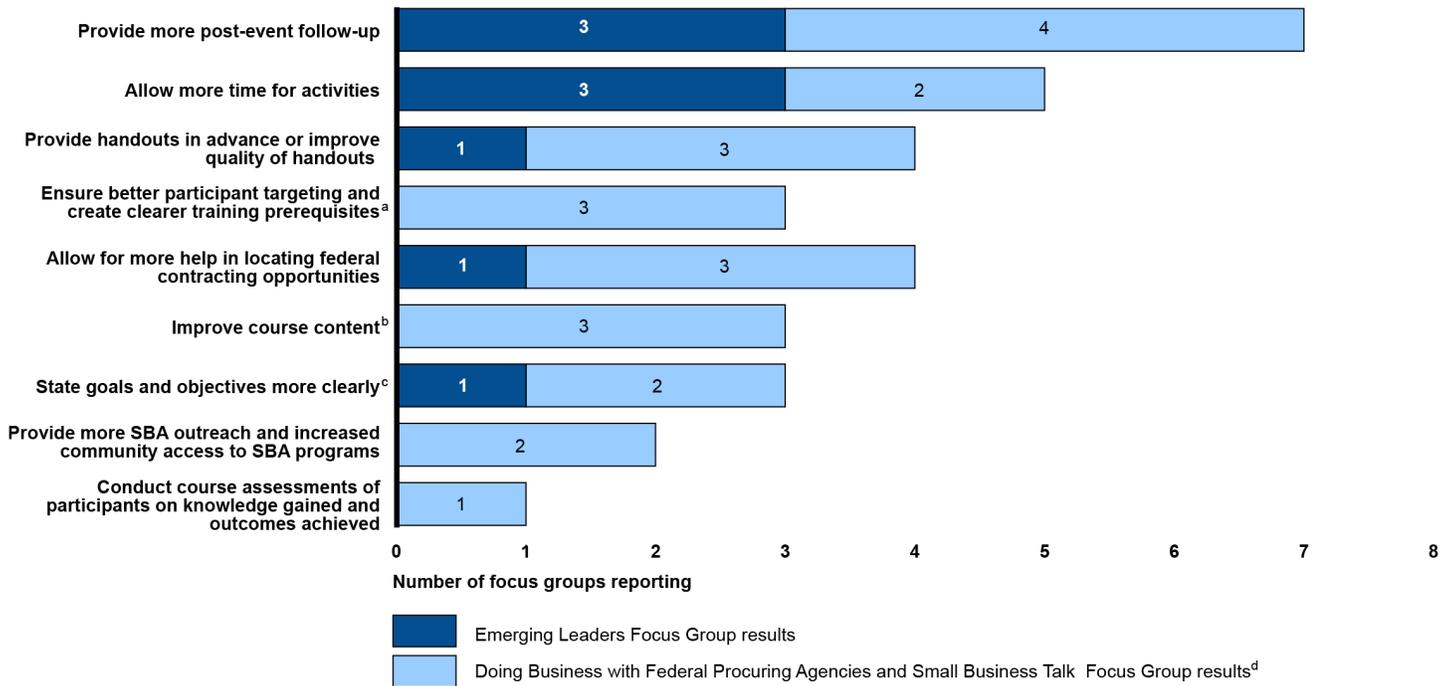
participants.<sup>24</sup> SBA officials told us that obtaining participant feedback was not a responsibility that cosponsorship agreements were required to include. Although not required by the cosponsorship agreements, obtaining periodic participant feedback is an integral part of the Emerging Leaders Initiative course. The contractor that provides the curriculum and instructors for the course summarize the participant feedback and provide it to SBA. Further, SBA has reported that the Initiative has shown significant employment growth among participating companies and access to new financing since participants graduated from the program.

Cosponsors we met with noted the importance of obtaining participant feedback. For example, three cosponsors told us that having a mechanism to follow up after an activity would help assess its impact—that is, how the activity ultimately benefited participants. Further, small businesses attending focus groups that we held provided us with feedback on ways in which the cosponsored activity could have been improved. As figure 4 shows, participants in seven of the eight focus groups we held commented that they wanted additional follow-up after attending a cosponsored activity. In addition, participants in five of the eight focus groups commented that more time was need for the activity.

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<sup>24</sup>The official files SBA maintained for these agreements did not include information on whether the feedback was actually obtained; SBA officials told us that this information was not available.

**Figure 4: Suggested Improvements to Cosponsored Activities Held in Fiscal Years 2012 and 2013**



Source: GAO analysis of focus group results.

Note: GAO conducted a total of four focus groups for Emerging Leader Initiative cosponsored activities occurring in 2012 and 2013 and a total of four focus groups for Doing Business with Federal Procuring Agencies and Small Business Talk cosponsored activities occurring in 2013. During the focus groups, we asked participants several questions to determine what would have improved their experience and areas in which improvements were needed. Based on their responses, we developed broad themes that we used to categorize the types of improvements identified by focus group.

<sup>a</sup>Focus group participants noted a need for better targeting such as ensuring that the right buyers are there for contracting activity attendees, otherwise it would not be worth the effort of attending. Additionally, recommended prerequisites should be covered before attending and accompanied by screening. Some felt that they could have gotten more out of it had they been better prepared, i.e., told by SBA what to read ahead of time. Others noted that audience mixture could be a problem, e.g., subject matter could be too detailed for many start-up businesses.

<sup>b</sup>Focus group participants' comments on course content noted that the content was too general, too abstract, or too advanced for the attendees.

<sup>c</sup>An Emerging Leaders participant said that how the program was initially explained left the impression that the program was for those seeking government contracting or lending. A focus group participant noted that the activity attended provided a lot of knowledge but it was not helpful in actually learning to write a General Services Administration (GSA) schedule proposal.

<sup>d</sup>For the analysis, the focus group results for the Doing Business with Federal Procuring Agencies and the Small Business Talk series were combined because they both emphasized contracting-related activities.

*Standards for Internal Control in the Federal Government* state that federal agencies should have appropriate policies, procedures,

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techniques, and mechanisms for each of their activities, including those to ensure compliance with key requirements.<sup>25</sup> Obtaining feedback on cosponsored events could provide SBA with direct information from small business participants that could be used to help ensure that the events benefited small businesses. In addition, we found that participants had suggestions for improving the events that could help SBA in designing future activities. Further, evaluating participant feedback could help SBA evaluate its use of cosponsorship authority—that is, whether SBA is most effectively implementing the statutory authority to conduct cosponsored events for the benefit of small businesses.

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## Conclusion

Cosponsored activities can allow the agency to leverage public and private resources to benefit small businesses—generally in the form of training, education, or dissemination of information. Various offices within SBA and cosponsors have a shared responsibility for planning, funding, and conducting cosponsored activities as required under SBA policies and procedures and defined in cosponsorship agreements. Some cosponsorship agreements we reviewed included an additional responsibility for SBA or cosponsors to obtain the views of participants at cosponsored events, but SBA does not have formal policies or procedures for obtaining participant feedback. Federal internal control standards state that federal agencies should have, among other things, appropriate policies and mechanisms for each of their activities, including those to ensure compliance with key requirements. Obtaining feedback on cosponsored events would provide SBA with direct information from small business participants that could be used to help ensure that events are providing benefits to small businesses. Such information could also provide another way for SBA to evaluate the use of its cosponsorship authority.

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## Recommendation for Executive Action

To ensure that SBA most effectively implements the statutory authority to conduct cosponsored events for the benefit of small businesses and to enhance SBA's ability to evaluate the use of its cosponsorship authority, the Administrator of the SBA should develop a mechanism to consistently obtain participant feedback on cosponsored activities.

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<sup>25</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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## Agency Comments

We requested comments from SBA on a draft of this report, and the agency provided written comments that are presented in appendix V. SBA generally agreed with our recommendation to develop a mechanism to consistently obtain participant feedback on cosponsored activities. SBA stated that it will evaluate the best means to obtain consistent feedback from participants during cosponsored activities in a manner that is not overly burdensome to the participant. In addition, SBA stated that it thinks there are many ways to obtain feedback on events and activities and it will look to provide a range of options for SBA program and district offices to employ. SBA also provided technical comments, which we incorporated as appropriate.

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We will send copies of this report to SBA and interested congressional committees. The report will also be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix VI.



William B. Shear  
Director, Financial Markets and  
Community Investment

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# Appendix I: Objectives, Scope, and Methodology

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The objectives of this report are to (1) describe the roles and responsibilities of SBA and cosponsors in planning, funding, and conducting cosponsored activities; and (2) examine the benefits cosponsored activities provide to small businesses.

To describe the roles and responsibilities of SBA and cosponsors in planning, funding, and conducting cosponsored activities, we reviewed Section 4(h) of the Small Business Act, implementing regulations, and SBA's standard operating procedures and guidance related to the use of cosponsorship authority.<sup>1</sup> In addition, we identified the specific roles and responsibilities of SBA and cosponsors for a nonprobability sample of 27 cosponsorship agreements SBA executed in fiscal year 2012. The results of our analyses of the specific roles and responsibilities described in these agreements cannot be generalized to all cosponsorship agreements SBA executed in fiscal year 2012, but the agreements represent a variety of eligible entities, eligible activities, expected number of businesses assisted, direct costs, and locations and dates.

We interviewed officials and staff from SBA's Office of Strategic Alliances and Office of General Counsel, and officials from six district offices and staff from five of those district offices to gain an understanding of the roles and responsibilities of SBA and cosponsors related to planning, funding, and conducting cosponsored activities. We selected four of the district offices based primarily on the frequency with which the office conducted cosponsored activities in fiscal years 2010 to 2012 and interviewed officials and staff from the remaining two district offices that originated the cosponsored activities we selected for our focus groups.<sup>2</sup> The district offices were located in California, Florida, Georgia, Michigan, North Dakota, and New York. We also interviewed representatives from 10 entities that cosponsored an activity with SBA during calendar years 2012 or 2013 to understand their roles and responsibilities for the activities they cosponsored and how and why they cosponsored them. Seven of these entities had cosponsored the activities selected for our focus groups and the other three entities had cosponsored National Small Business Week

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<sup>1</sup>13 C.F.R §§ 106.101–106.204.

<sup>2</sup>Two of the district offices were selected because they executed the most cosponsorship agreements in total for the three fiscal years 2010, 2011, and 2012; the other two district offices were selected based on the relative infrequency with which they executed cosponsorship agreements during these three fiscal years and other factors.

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activities in 2012 and 2013. Further, we attended two cosponsored events and observed how information was delivered to and received by participants. We also reviewed SBA's Office of Inspector General (OIG) report on its audit of SBA's controls over cosponsored activities, which assessed the adequacy of those controls, and discussed the audit with the OIG.<sup>3</sup> In addition, we requested the official file for the more than 132 cosponsorship agreements SBA executed in fiscal year 2012 as listed in a spreadsheet the agency maintains on the status of these agreements.<sup>4</sup> Two analysts reviewed the cosponsorship documentation contained in the files and other materials, including cosponsorship agreements, draft and final agendas, marketing materials and final cosponsorship reports (SBA form 2299). As a part of this review, the analysts independently coded the documentation to identify the type of activity and subject matter. The analysts also recorded the type of budgeted direct costs, whether each agreement included a responsibility for SBA or the cosponsor to obtain participant feedback, and compared the budgeted amount to that listed in the spreadsheet data SBA maintains. Any disagreement between the analysts on the coding of the cosponsorship documentation was resolved through discussion. We assessed the reliability of the spreadsheet data SBA maintains on the status of cosponsorship agreements by reviewing it for obvious errors and comparing the data for selected agreements to SBA's official files. We clarified any discrepancies with SBA and corrected the data accordingly. We determined that the data were sufficiently reliable for the purposes of determining the number of executed cosponsorship agreements and the associated date of execution and budgeted direct cost for these agreements.

To examine the benefits cosponsored activities provide to small businesses, we conducted eight focus groups in three cities (Atlanta, GA; Detroit, MI; and Kalamazoo, MI) with 48 entrepreneurs that had attended one of three SBA cosponsored activities conducted in 2012 and 2013—the Emerging Leaders Initiative, Doing Business with Federal Procuring Agencies series, and Small Business Talk Series. We considered a number of factors in selecting the three activities. For example, we selected the Emerging Leaders Initiative because of the large amount of

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<sup>3</sup>SBA, Office of Inspector General, *SBA Enterprise-wide Controls over Cosponsored Activities*. Advisory Memorandum Report No. 13-21 (Washington, D.C.: Sept. 26, 2013).

<sup>4</sup>SBA executed more than 132 agreements in fiscal year 2012, but some of these agreements were subsequently cancelled.

direct costs SBA funded for the initiative. We selected the Doing Business with Federal Procuring Agencies and Small Business Talk series because the activities (1) took place in the same or nearby location where an Emerging Leaders Initiative was taking place (2) included a significant training component, (3) had a sizable number of expected attendees from which to solicit 8 to 12 people for a focus group, (4) had lists of preregistered participants or attendee lists with contact information, and (5) occurred within 12 months preceding the focus groups. We also considered geographic diversity for the three activities we selected to conduct focus groups. We sought to ensure that the activities we selected to conduct focus groups took place in different regions of the country with differing economic profiles.<sup>5</sup> We determined that these activities would provide us with sufficient information from participants on the benefits participants received or expected to receive in the future from having attended different types of cosponsored activities in different parts of the country.

The entrepreneurs who participated in our focus groups included mostly small business owners, but also individuals who were interested in starting up their own small business and those who worked for a small business. We limited our focus group participation to entrepreneurs with recent experience attending a cosponsored activity to minimize recall bias and to ensure that the most accurate account of participants' experiences could be obtained. To recruit volunteers to our focus groups, we obtained from SBA a list of persons who attended the three activities in locations we selected. We contacted each person by email, soliciting them to participate in our focus groups and took the first volunteers for up to 12 persons per focus group. Our focus groups ranged in size from 3 to 11. Attendees at our focus groups included women-owned and veteran-owned small businesses in a variety of industries including construction, janitorial services, and health care (see app. IV, figs. 5 through 8, for additional information about participant characteristics and focus group responses on various themes).

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<sup>5</sup>For example, among the 15 largest Metropolitan Statistical Areas (MSA) in the United States, in 2012 Detroit had the lowest entrepreneurial activity rate, which is a measure of new business development. See Robert W. Fairlie, *Kauffman Index of Entrepreneurial Activity, 1996 - 2012*, April 2013, accessed on March 12, 2014, [http://www.kauffman.org/~media/kauffman\\_org/research%20reports%20and%20covers/2013/04/kiea\\_2013\\_report.pdf](http://www.kauffman.org/~media/kauffman_org/research%20reports%20and%20covers/2013/04/kiea_2013_report.pdf).

The focus groups were structured small group discussions designed to generate information on the participants' experiences with SBA cosponsored training, education, and counseling events. Methodologically, information gathered from focus groups cannot be used to make generalizations about a population or to demonstrate the extent of an issue. Thus, while the information we gathered is not generalizable to all participants in SBA cosponsored activities, it provides valuable context regarding their perceptions of the benefits and challenges they experienced when attending these events and this information is more in-depth than is possible using numerous individual interviews. Small business owners and other participants who did not attend our focus groups may have had different experiences.

A GAO facilitator guided the focus group participants using a structured set of questions. In addition to the GAO facilitator, another team member recorded notes of the proceedings. At the start of each discussion session, ground rules were established encouraging participants to limit their comments to their own personal experiences with the SBA cosponsored event attended unless explicitly asked to respond more broadly. The facilitator encouraged all participants to share their views and react to the views of others. Using a GAO-developed discussion guide, the facilitator asked the participants to give their perspectives on (1) their decision to attend the SBA cosponsored event, (2) the perceived benefits, (3) the challenges associated with their experience or suggestions for improvements, (4) expectations about future uses of what they learned, and (5) events they attended within 12 months preceding the focus groups. We conducted the analysis of the focus group results in three steps. First, two analysts developed a codebook to identify common themes in the focus group notes and worked together to ensure agreement. Second, two GAO analysts independently coded the transcripts and then resolved any coding discrepancies. Third, the coders noted how often a theme was expressed across each focus group and focused on those that were mentioned frequently across the majority of focus groups. The focus group results discussed in this report reflect the range of views and perceptions expressed in a larger number of the focus groups.

We also interviewed key officials at SBA headquarters in Washington, D.C., including representatives from the agency's Office of Strategic Alliances and Office of General Counsel and six SBA district offices and staff from five of those district offices to obtain testimonial information about district office involvement and experiences with their use of SBA's cosponsorship authority, including how they evaluate the results of the

events. Finally, we interviewed representatives from 10 entities that cosponsored an activity with SBA during calendar years 2012 or 2013 to obtain their perspectives on benefits to small business arising from cosponsored events. We analyzed the information obtained from the interviews to determine what perceived benefits small businesses received from attending or were expected to gain from the cosponsored events, what would have improved the cosponsored event experience, whether cosponsors sought feedback about a cosponsored event, and whether SBA had any consistent practices for obtaining participant feedback on cosponsored events.

We conducted this performance audit from November 2012 to May 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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# Appendix II: Factors SBA Considers in Deciding Whether to Utilize Cosponsorship Authority

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SBA district office officials and staff we spoke to identified the following factors that they consider in deciding whether to utilize cosponsorship authority to conduct outreach activities:

1. Whether a proposed activity would better meet the needs of small businesses, and more of them, if conducted with other entities under a cosponsorship agreement.
2. Whether a potential cosponsor has expertise in a particular area, such as lending or exporting, or has resources necessary to conduct an event, such as space, or could provide funding to cover these and other event costs.
3. How much control SBA wants to have over the various aspects of an event's planning, content, and delivery, including setting the agenda, identifying speakers, and selecting a suitable location, or whether it would be helpful to share these responsibilities.
4. Whether potential cosponsors could provide SBA with access to groups that it does not have a well-established relationship with or that might not be familiar with SBA or its programs and services.
5. Whether cosponsorship authority provides SBA with an opportunity to develop and strengthen long-term relationships with groups that represent minority small businesses or those in particular geographic areas that could help identify and target those businesses that might benefit most from a particular event.
6. Whether co-branding of a cosponsored activity—displaying SBA and cosponsor logos on all marketing and event material—could attract greater small business attendance, in part because of the appeal of having multiple small business resources at a single event.
7. What the costs would be in terms of time and SBA's own resources.
8. Whether potential cosponsors would be able to fulfill their responsibilities under an agreement, including handling cosponsorship funds while serving as a fiscal agent.

# Appendix III: Summary of SBA Office of Inspector General Findings and Recommendations and SBA Required Procedures

The SBA Office of Inspector General issued Advisory Memorandum Report No. 13-21, *SBA Enterprise-wide Controls over Cosponsored Activities*, dated September 26, 2013, which presented the results of its work on the adequacy of controls over SBA’s cosponsored activities. The table below summarizes the findings and recommendations from that report and the required procedures that the Office of Inspector General found SBA had not complied with.

**Table 2: Summary of SBA Office Inspector General Findings and Recommendations and SBA Required Procedures**

Office of Inspector General findings	SBA required procedures	Office of Inspector General recommendations
SBA did not always vet and perform conflict of interest determinations for cosponsors	<p>All potential cosponsors must be vetted by the originating office or Office of Strategic Alliances (OSA). Vetting entails gathering information about each potential cosponsor in order for the General Counsel or designee to make a conflict of interest determination.</p> <p>The General Counsel or designee must sign SBA Form 1615 to demonstrate a conflict of interest determination was made.</p>	The OSA Director should collaborate with District Counsel and General Counsel to ensure all potential cosponsors are properly vetted prior to soliciting and accepting their cash contributions.
SBA cosponsorship files did not always include required documentation	The Responsible Program Official must ensure all the proper documentation and paperwork, including the Final Cosponsorship Report Form 2299, is completed and submitted to OSA for the official cosponsorship file within 60 calendar days of the cosponsored activity.	<p>The OSA Director should establish controls to ensure that all activities are timely and properly closed out, and that all required documents and reports are obtained.</p> <p>The OSA Director should conduct periodic reviews of the official cosponsorship files for completeness and compliance with SOP 90 75 3.</p>
SBA did not always properly account for excess funds from cosponsored activities	Excess funds that result from participant fees must be returned to participants on a pro-rata basis. Excess funds that result from cosponsor cash contributions must be either returned to cosponsors on a pro-rata basis or donated to SBA and placed in SBA’s Business Assistance Trust (BAT) Fund.	<p>The Assistant Administrator for the Office of Communications and Public Liaison should collaborate with the General Counsel to update the cosponsorship agreement template to clearly include all specific roles and responsibilities for fiscal agents and all other accountable parties. In accordance with SOP 90 75 3.</p> <p>The Associate Administrator for the Office of Field Operations should initiate actions to properly account for and dispose of excess funds from two cosponsorships in accordance with SOP 90 75 3.</p> <p>The Associate Administrator for the Office of Field Operations should, under the provisions of the Federal Managers’ Financial Integrity Act (FMFIA), perform periodic quality service reviews to include cosponsorship files and funds distribution, verifying any expenses paid out of cosponsored income are appropriate.</p> <p>The General Counsel should revise SOP 90 75 3 to include specific procedures and time frames regarding the disposition of any excess funds that result from SBA-cosponsored activities.</p>

Source: SBA Office of Inspector General.

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**Appendix III: Summary of SBA Office of  
Inspector General Findings and  
Recommendations and SBA Required  
Procedures**

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Note: The Office of Inspector General also made a recommendation that the OSA Director provide training for staff that plan cosponsored activities to reinforce their roles and responsibilities.

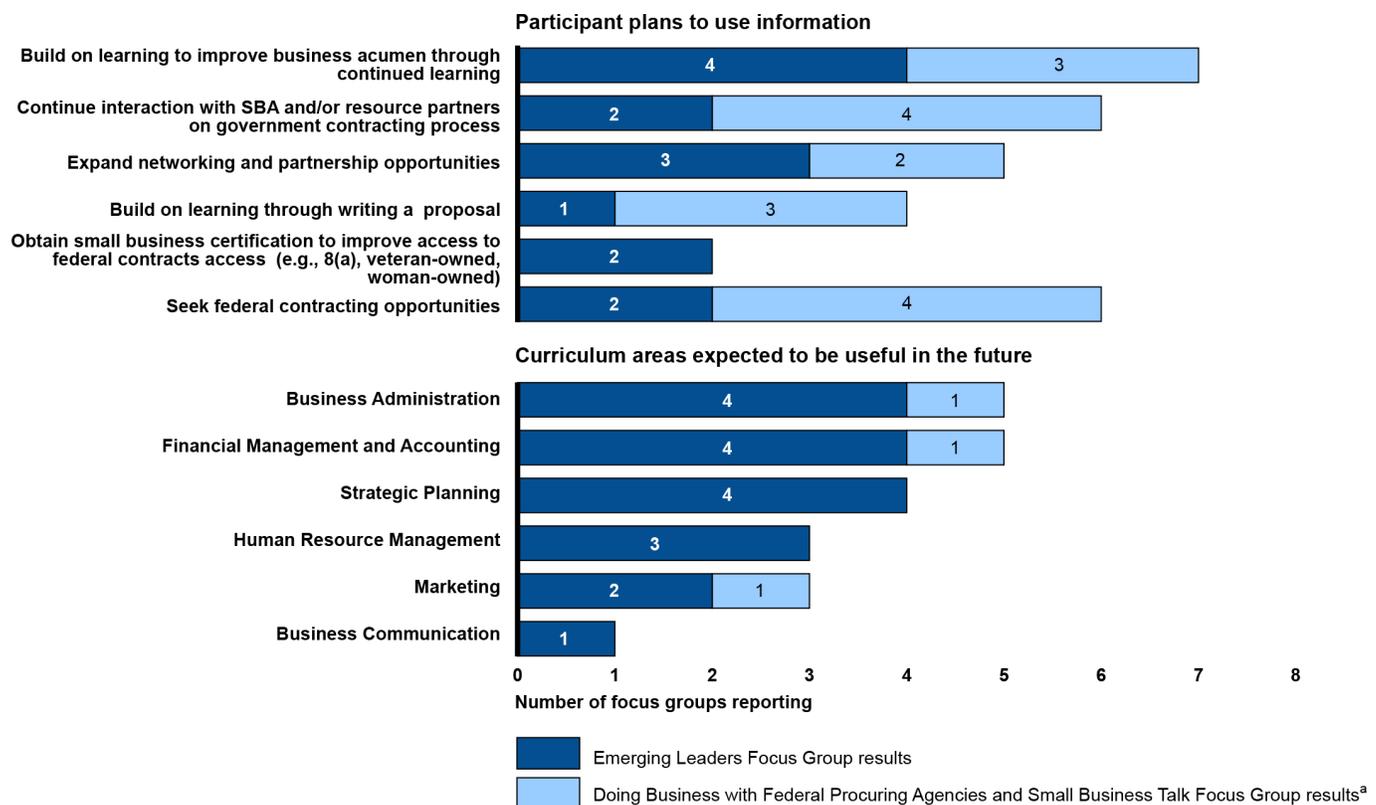
SBA agreed with some but not all of the OIG's findings and recommendations. SBA stated that the OIG's findings about the failings of SBA's cosponsorship program as a whole are too broadly stated, considering that the five agreements the OIG tested represent less than 1 percent of all the cosponsored activities that took place during the fiscal years covered by their audit. SBA also responded to each specific recommendation. For example, SBA agreed that vetting is important, but disagreed with the recommendation because it believed that the OIG's audit did not demonstrate a deficiency with the vetting process, adding that only one cosponsorship file did not contain the requisite vetting information. Also, SBA agreed with the intent of the OIG's recommendation to modify the cosponsorship agreement template to include the specific roles and responsibilities of fiscal agents but did not agree with the recommendation itself, as SBA believes that providing staff with supplemental guidance and more instruction would be a better approach.

# Appendix IV: Additional Focus Group Characteristics and Information

As discussed in this report, we conducted eight focus groups with 48 participants and obtained a variety of information about their experience at certain cosponsored events. This appendix provides additional information on the results of the focus groups including selected characteristics of the participants, as shown in the following figures.

Figure 5 presents information on how the focus group participants thought they might use the information and skills learned at the cosponsored activity attended to improve their business management activities and approaches.

**Figure 5: Expected Uses of Information Gained at Cosponsored Events Held in Fiscal Years 2012 and 2013**



Source: GAO analysis of focus group results.

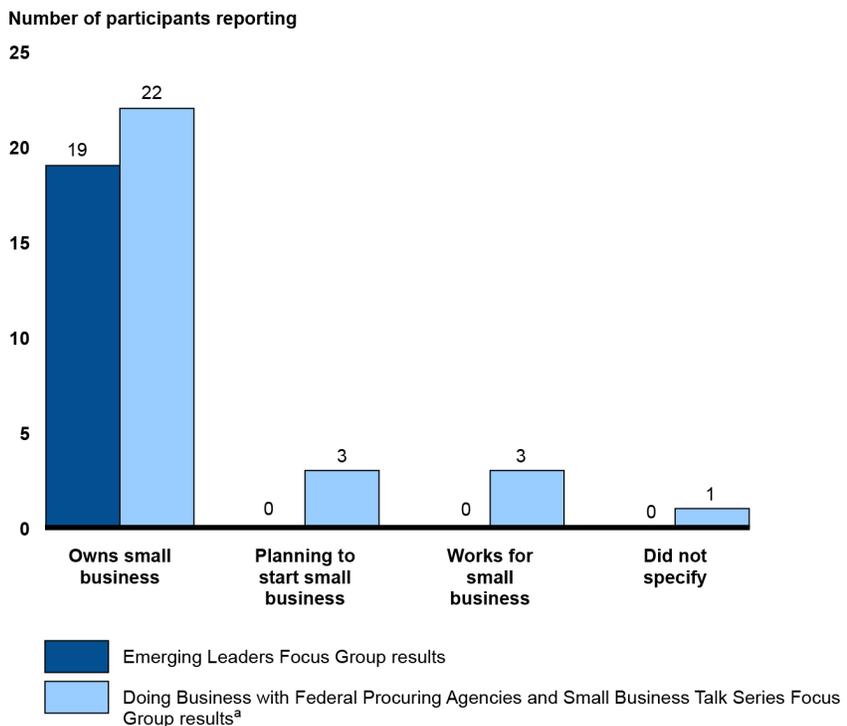
Note: GAO conducted a total of four focus groups for Emerging Leaders Initiative cosponsored activities occurring in 2012 and 2013 and a total of four focus groups for Doing Business with Federal Procuring Agencies and Small Business Talk cosponsored activities occurring in 2013. A total of 48 individuals participated in the focus groups, with individual focus group attendance ranging from 3 to 11.

Note: GAO separated the results of this analysis based on the emphasis of the activity attended to illustrate the effect the type of cosponsored activity attended may have on the benefits described by focus group participants.

<sup>a</sup>For the analysis, the focus group results for the Doing Business with Federal Procuring Agencies and the Small Business Talk series were combined because they both emphasized contracting-related activities.

As part of the focus group discussions, we asked participants whether they owned a small business or what role they held in the small business activity represented. Figure 6 describes the self-reported responses.

**Figure 6: Focus Group Participants Self-reported Business Ownership Status for Attendees at Cosponsored Activities Held in Fiscal Years 2012 and 2013**



Source: GAO analysis of focus group results.

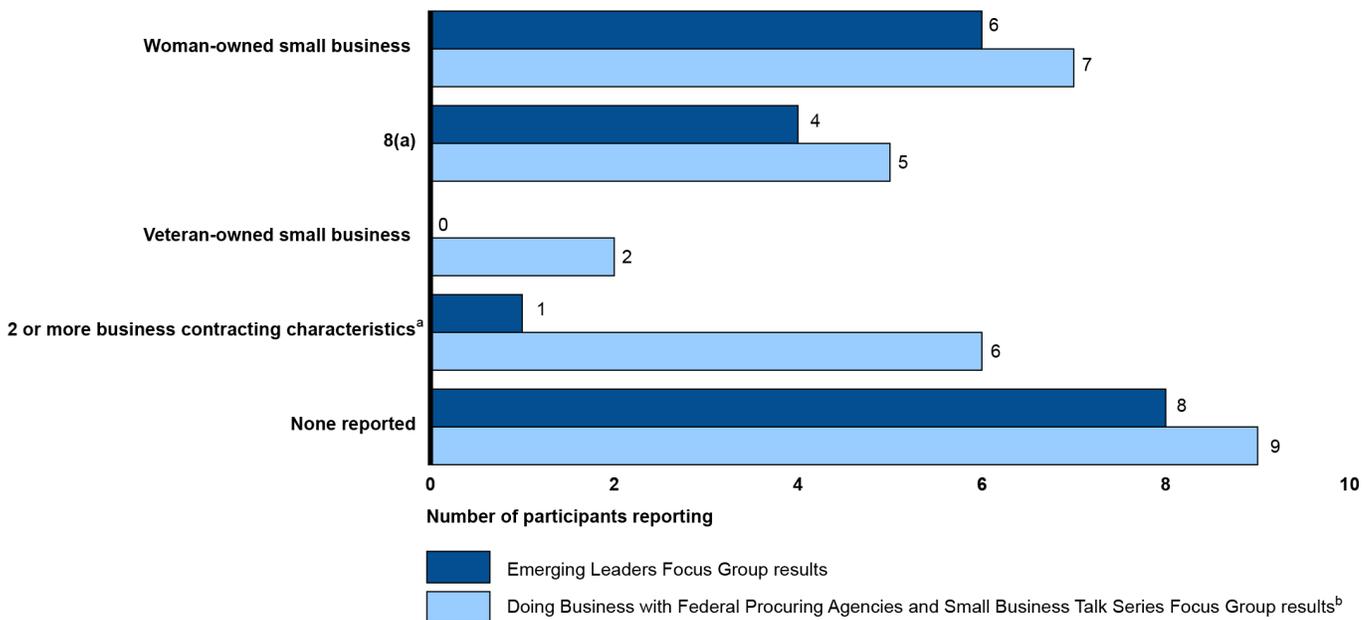
Note: GAO conducted a total of four focus groups for Emerging Leaders Initiative cosponsored activities occurring in 2012 and 2013 and a total of four focus groups for Doing Business with Federal Procuring Agencies and Small Business Talk cosponsored activities occurring in 2013. A total of 48 individuals participated in the focus groups, with individual focus group attendance ranging from 3 to 11.

<sup>a</sup>For the analysis, the focus group results for the Doing Business with Federal Procuring Agencies and the Small Business Talk series were combined because they both emphasized contracting-related activities.

This report notes that SBA helps entrepreneurs start, build, and grow businesses by, among other things, providing counseling and training as well as actions to increase federal contracting and subcontracting

opportunities. As part of discussions, we asked the participants to describe the ownership of the business they represented, including ownership types that SBA has targeted for assistance.<sup>1</sup> The responses received are noted in figure 7.

**Figure 7: Focus Group Participants Self-reported Business Ownership Type for Attendees of Cosponsored Events Held in Fiscal Years 2012 and 2013**



Source: GAO analysis of focus group results.

Note: GAO conducted a total of four focus groups for Emerging Leaders Initiative cosponsored activities occurring in 2012 and 2013 and a total of four focus groups for Doing Business with Federal Procuring Agencies and Small Business Talk cosponsored activities occurring in 2013. A total of 48 individuals participated in the focus groups, with individual focus group attendance ranging from 3 to 11.

<sup>a</sup>The values in the figure only represent focus group participants who belong to these categories (mostly self identified) and in some instances had dual representation in this analysis, e.g., woman- and veteran-owned businesses.

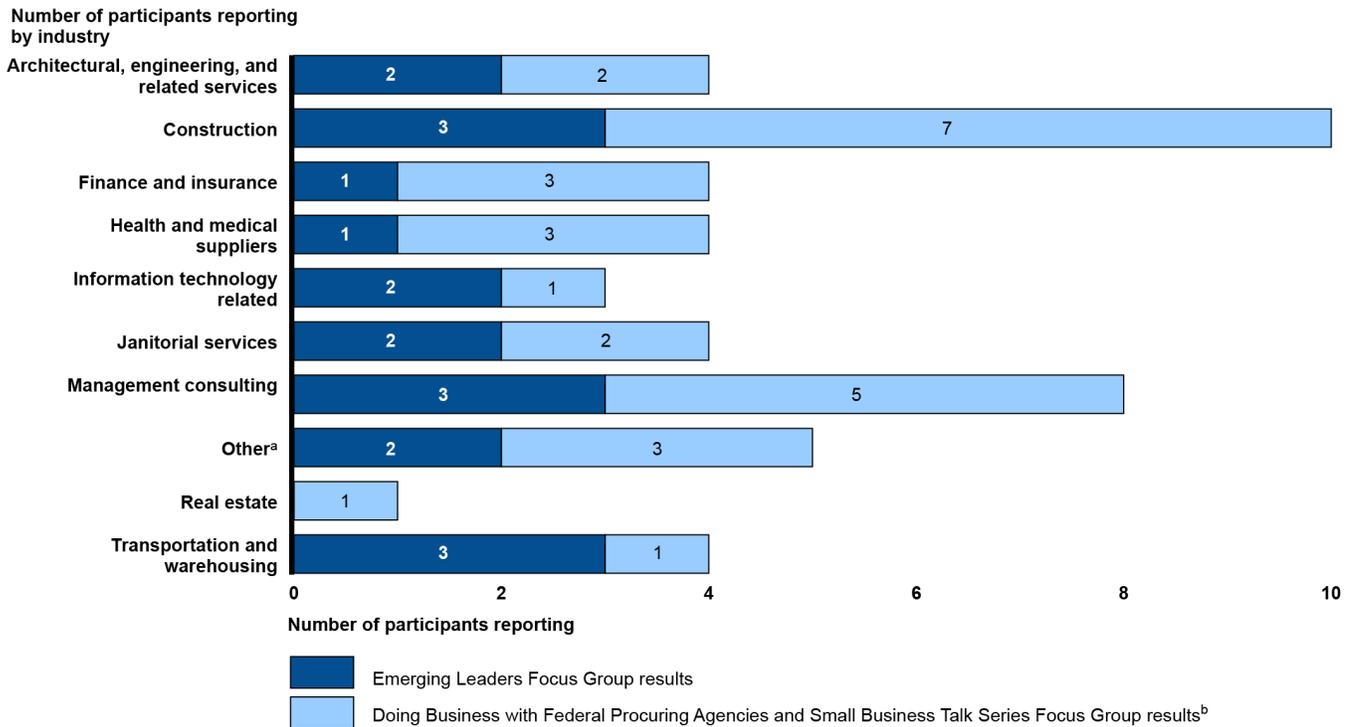
<sup>b</sup>For the analysis, the focus group results for the Doing Business with Federal Procuring Agencies and the Small Business Talk series were combined because they both emphasized contracting-related activities.

<sup>1</sup>SBA offers initiatives or programs that help small and disadvantaged businesses. Such businesses include minority-owned firms that can qualify for the 8(a) Business Development Program, women-owned small businesses, and service-disabled veteran-owned businesses.

**Appendix IV: Additional Focus Group Characteristics and Information**

Finally, the participants in the focus group discussions provided information on the industry in which their businesses or planned businesses operated (see fig. 8).

**Figure 8: Focus Group Participants Self-reported Industry Categories for Attendees of Cosponsored Events Held in Fiscal Years 2012 and 2013**



Source: GAO analysis of focus group results.

Note: GAO conducted a total of four focus groups for Emerging Leaders Initiative cosponsored activities occurring in 2012 and 2013 and a total of four focus groups for Doing Business with Federal Procuring Agencies and Small Business Talk cosponsored activities occurring in 2013. A total of 48 individuals participated in the focus groups, with individual focus group attendance ranging from 3 to 11.

<sup>a</sup>Examples of "Other" include a bakery, a community newspaper publisher, and a language translation and interpretation business.

<sup>b</sup>For the analysis, the focus group results for the Doing Business with Federal Procuring Agencies and the Small Business Talk series were combined because they both emphasized contracting-related activities.

# Appendix V: Comments from the Small Business Administration



U. S. SMALL BUSINESS ADMINISTRATION  
409 3<sup>RD</sup> STREET S.W.  
WASHINGTON, DC 20416

May 12, 2014

Mr. William Shear  
Director, Financial Markets and Community Investment  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Shear:

Thank you for the opportunity to comment on the U.S. Government Accountability Office (GAO) draft report entitled "Cosponsored Activities Can Benefit Small Businesses but Lack a Consistent Feedback Mechanism" (GAO 14-260). We have reviewed the draft report and GAO's single Recommendation for Executive Action and provided comments below. We have also attached technical corrections.

The recommendation states:

"To ensure that SBA most effectively implements the statutory authority to conduct cosponsored events for the benefit of small businesses and to enhance SBA's ability to evaluate the use of its cosponsorship authority, the Administrator of the SBA should develop a mechanism to consistently obtain participant feedback on cosponsored activities."

SBA generally agrees with this recommendation and will evaluate the best means to obtain consistent feedback from participants during cosponsored activities in a manner that is not overly burdensome to the participant. We think there are many ways to obtain feedback on events and activities and will look to provide a range of options for SBA program and district offices to employ.

The SBA is committed to providing valued resources to small businesses, utilizing both national and local cosponsored activities. We appreciate the opportunity to review the draft report and provide these comments. If you have any questions or require additional information, please contact Shawn McKeehan, SBA GAO Liaison, at (202) 205-7729.

Sincerely,

Fred Baldassaro  
Assistant Administrator, Communications and Public Liaison

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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

William B. Shear, (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Marshall Hamlett (Assistant Director), Emily Chalmers, Pamela Davidson, Alexandra Martin-Arseneau, John McGrail, Scott E. McNulty, and Jena Sinkfield made key contributions to this report.

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