The Consolidated Appropriations Act, 2022 appropriated $83 million to the Small Business Administration (SBA) for 128 projects at the request of Members of Congress. The act includes specific provisions that designate an amount of funds for a particular recipient, such as a nonprofit organization or a local government, to use for a specific project. These provisions are called “Congressionally Directed Spending” in the U.S. Senate and “Community Project Funding” in the House of Representatives. Members of Congress had to meet certain requirements under Senate and House rules in order to have their requests included as provisions in the act. Such requirements included that Members post requests online and certify that they had no financial interest in the projects. The House also required Members to demonstrate community support for requests.

This report examines how SBA intends to identify the provisions, distribute the funds made available through these provisions, and ensure the funds are spent for the purposes Congress intended. For more information on this report and others in this series, including background and methodology, visit https://www.gao.gov/tracking-funds.

### What are the intended uses of these funds?

The $83 million is intended to support small businesses through various projects, including business incubators and resource centers.

### Small Business Administration: Fiscal Year 2022 Community Project Funding/Congressionally Directed Spending Provisions

<table>
<thead>
<tr>
<th>Budget account</th>
<th>Number of fiscal year 2022 provisions</th>
<th>Percentage of budget account designated for fiscal year 2022 provisions</th>
<th>Examples of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>$83 million</td>
<td>Salaries and Expenses</td>
<td>128</td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business incubators, resource centers, technical assistance, and training to support small businesses and entrepreneurs</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Consolidated Appropriations Act, 2022 and accompanying joint explanatory statement; and information provided by the Small Business Administration. | GAO-23-105907

*Based on total amount appropriated for this budget account for fiscal year 2022.

### Data Table for Small Business Administration: Fiscal Year 2022 Community Project Funding/Congressionally Directed Spending Provisions

<table>
<thead>
<tr>
<th>Funding $ in millions</th>
<th>Budget account</th>
<th>Number of FY 2022 provisions</th>
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<th>Examples of projects</th>
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</tr>
</tbody>
</table>

Source: GAO analysis of Consolidated Appropriations Act, 2022 and accompanying joint explanatory statement; and information provided by the Small Business Administration. | GAO-23-105907

### Who are the designated recipients?

The designated recipients of about 72 percent (92) of the 128 projects are higher education organizations and other nonprofit organizations and about 28 percent (36) are tribal, territorial, state, or local governments.
Key Observations

- SBA officials told us that the recipients of 120 of the 128 projects had not previously received funding from the agency.
- The amount designated for each project ranges from $50,000 to $3 million, with an average amount of about $650,000. Of the 128 projects, 47 will receive $300,000 or less, 48 will receive more than $300,000 but less than $1 million, and 33 will receive $1 million or more.
- The two largest projects, which will receive $3 million each, are to (1) support a nonprofit organization in redeveloping a Vermont cheese factory into a multipurpose food venture center and (2) establish a center at a Maryland university to expand a program that provides socially and economically disadvantaged entrepreneurs with customized training, mentorship, and networking opportunities.
- SBA officials said that the recipients of 97 of the 128 projects will use the funds only for salaries and expenses such as travel and equipment costs, the recipients for 18 projects will use the funds only for construction, and the recipients for 13 projects will use the funds for both.

Small Business Administration: Distribution of Fiscal Year 2022 Community Project Funding/Congressionally Directed Spending Provisions

Who within the agency will be responsible for identifying and monitoring these funds?

According to SBA officials, SBA’s Office of Grants Management will be responsible for leading the agency’s efforts to identify, distribute, and monitor these funds. Other offices within SBA such as the Offices of Congressional and Legislative Affairs, General Counsel, and the Chief Financial Officer will help identify and track the funds.

How does the agency intend to ensure recipients are ready to receive and are able to use these funds?

SBA officials told us the agency would perform due diligence through its existing grant process to ensure recipients are ready to receive and able to use these funds.

For example, before distributing the funds, SBA plans to check the System for Award Management—the system through which entities must register to receive federal funds—to identify parties excluded from receiving federal contracts and funds. The agency also plans to check the Department of the Treasury’s Do Not Pay working system and GrantSolutions, a software platform that provides risk management services to help federal staff detect potential fraud, waste, and abuse.

In addition, to determine if recipients are able to use the funds, SBA plans to check the Federal Audit Clearinghouse, which maintains a public database of audits of entities.
that expend $750,000 or more in federal awards in 1 year. The agency also plans to request certain documents from recipients—such as a completed, standard application and a project budget—that it would normally receive as part of a competitive grant application.

SBA officials said that if they found a recipient did not have adequate capacity (such as financial, human capital, or organizational capacity) to use the funds, officials would take appropriate steps such as placing the entity on a corrective action plan.

**How does the agency intend to ensure these funds are spent properly?**

SBA plans to use existing processes to ensure funds are spent properly. Specifically, SBA’s grant agreement with recipients requires each recipient to submit annual performance and financial reports. SBA officials said they would also conduct site visits of the recipients. These efforts are intended to help SBA prevent fraud, waste, and abuse.

- SBA requires recipients to identify in their performance reports how they will track their assistance to small businesses or entrepreneurs at the local, regional, or national level. Specifically, recipients will be required to identify at least three key performance metrics, such as the number of clients assisted, the number of underserved clients assisted, or the number of jobs supported by the small businesses assisted. For each metric, the recipient will be required to provide a performance target and quarterly data detailing its progress toward that target. Recipients will be required to file a performance report at the end of each year until all the funds are expended.

- SBA requires recipients to provide in their financial reports information on, among other things, their expenditures for the project, remaining unobligated funds, and any related indirect expenses.

- SBA officials said that during site visits to recipients, SBA would review their records and accomplishments, conduct interviews, and provide any necessary technical assistance.

SBA officials said the agency would take action against recipients to enforce any award requirements that were not being met, such as failure to submit financial and performance reports. Such actions could include placing the recipient on a corrective action plan, recovering misspent funds, or suspending or terminating all or part of the award.

The actions SBA plans to take to ensure funds are properly spent can also help prevent improper payments. In addition, the SBA Office of Inspector General (OIG) may decide to review these funds as part of its oversight responsibilities.

**When does the agency expect recipients will have access to these funds, and when might the funds be spent?**

SBA officials told us they expected to sign grant agreements with all of the recipients by the end of fiscal year 2022 and that recipients may request up to 5 years to spend the funds.

SBA must enter into a grant agreement with each recipient before providing access to the funds. SBA officials said the agency had reached out to all the recipients by mid-June 2022 to discuss the reporting requirements and required forms—such as the standard application and budget—and to answer any questions. They told us they expected the grant agreement process for these funds to take longer than the normal process for competitive grants because SBA had to request some information from each recipient that it normally would receive in advance as part of a grant application. As of September 19, 2022, SBA officials said the agency had signed 84 grant agreements.

According to SBA officials, recipients generally will have 1 year from the date the agreement is signed to use the funds, but recipients can request up to 5 years to use the funds. These longer periods likely will apply to projects that include construction.

SBA has until the end of fiscal year 2027 to fully disburse the funds appropriated in the Consolidated Appropriations Act, 2022 to the designated recipients. For more information on the time availability of these funds, see GAO-22-105467.
What risks and challenges may the agency face distributing and monitoring these funds?

In October 2021, the SBA OIG identified the need for robust grants management oversight as one of the top management challenges facing the agency (Small Business Administration, Office of Inspector General, Top Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2022, Report 22-02, Washington, D.C.: Oct. 15, 2021). The OIG noted that SBA had relied on an inefficient and error-prone system to manage its grant awards, but recognized that the agency had made substantial progress in modernizing its grants management system while working to integrate the new system within its existing financial system. However, the OIG concluded that until the two systems are fully integrated, SBA would continue to use manual and burdensome processes to manage aspects of its grant programs, which could continue to hinder the agency’s ability to effectively oversee and manage its grant programs.

Additionally, as noted above, SBA will have to obtain documentation from and enter into grant agreements with the recipients of all 128 projects, most of whom have not previously received funding from SBA. To help manage the number of recipients, SBA officials told us they hired a contractor for fiscal year 2022. According to the contract, the contractor’s tasks include helping to (1) review each of the recipients before they receive funds, (2) process the funds, and (3) monitor the recipients, such as by ensuring that they submit their required performance- and financial-related documents.

Why GAO did this study

The joint explanatory statement accompanying the Consolidated Appropriations Act, 2022 includes a provision for us to review agencies’ implementation of Community Project Funding/Congressionally Directed Spending. In addition to issuing this and other reports in this series, we will follow and review agencies’ efforts to distribute, monitor, and audit these funds by sampling agencies and recipients and examining whether funds were spent as intended.

Agency comments

We provided SBA with a draft of this report. SBA did not provide comments on this report.

GAO Contact

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We conducted this performance audit from March 2022 to October 2022 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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