SBA Financial Examination Guide

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Association of Small Business Development Centers

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Table of Contents

		Page
Introduction – Note from Don Wilson, ASBDC President		1
Section 1.	SBDC Organizational Structures	2
	A. Single SBDC Host Network	2
	B. Primary SBDC Host, Center Hosts	2
	C. Primary SBDC Host, Region Hosts, Center Hosts	3
	D. Hybrid SBDC Network	4
Section 2.	Governing Regulations and Authority	5
	A. 15 USC 648	5
	B. 13 CFR Part 130	5
	C. SBA Notice of Award (NOA)-	5
	D. OMB Circulars	6
	E. SBDC Program Announcement	7
Section 3.	Center Subrecipient Agreements	8
	A. Applicable Regulations and Operational Requirements	8
	B. Required Host Institution Clauses	8
	C. Additional Understandings and Restrictions	9
	D. Invoicing/Financial Reporting Requirements	9
	E. Modifications to Agreements and Budgets	10
	F. Sample Subrecipient Agreement	10
Section 4.	Preparation for the Examination and State/Region Office Center Reviews	11
	A. Financial and Administrative Considerations	11
	B. Financial Reviews of Service Centers by Lead Center	14
Section 5.	The Examination Process	17
	A. Notification by SBA	17
	B. Pre-Examination Documentation	17
	C. Entrance Interview - Areas to be Reviewed	21
	D. Exit Interview	23
Section 6.	The Post-Examination Process	24
	A. Report Distribution and Content	24
	B. Responding to Draft Report	24
	C. Final Report and Institutional Response	25

*To utilize hyperlinks, hold the CTRL key and click once to follow the link

Appendices:

Appendix 1	Sample Invoices
Appendix 2	Subrecipient Agreements
Appendix 3	SBA Project Specific IDC Rate Request
Appendix 4	Center Review Checklist – On-site
Appendix 5	SBA Summary of Common Findings
Appendix 6	Sample Letter of Findings from Lead to Centers

*To utilize hyperlinks, hold the CTRL key and click once to follow the link

Dear ASBDC Membership:

This guidebook is designed to assist SBDC State/Region Directors, as well as Associate/ Assistant State/Region Directors or other responsible personnel, to prepare for the biennial financial review performed by the Office of Small Business Development Centers (OSBDC). It is intended to help the reader learn about the applicable Federal regulations, rules and procedures governing financial and administrative issues for SBDCs, to assist networks in establishing a framework for processes that will enhance the on-site review process, and to provide knowledge of problem areas commonly found during reviews. Also included are guidelines for the inclusion of administrative requirements and other issues related to the subrecipient agreements between the Lead and service centers hosted at other institutions.

The guidebook was prepared by ASBDC members in cooperation with OSBDC personnel. The OSBDC examiners are a valuable resource for State/Associate/Assistant Directors with regard to budgeting issues, prior approval requirements, expense allowability, documentation requirements and other administrative issues, as well as the on-site review process itself. Readers are encouraged to contact that office regarding questions within the financial and administrative operations area at any time.

Note that throughout the guidebook, the terms State/Region Office and Lead Center are used interchangeably, and refer to the prime recipient of Federal funds under the SBDC program from the SBA.

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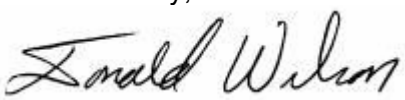
Please feel free to contact any of these individuals with questions regarding the content of this guide.

Sincerely,



Donald Wilson
President, ASBDC

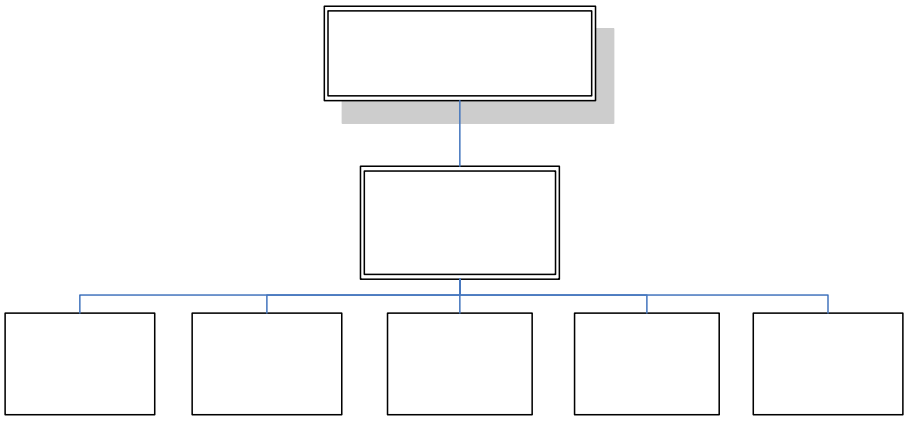
Section 1. SBDC Organizational Structures

There are almost as many variations on State or Regional SBDC organizational structures as there are SBDCs nationally. However, it appears that there are four basic organizational structures under which most SBDCs operate. We hope that by understanding that there are different SBDC organizational structures State/ Region Offices will be better informed of their responsibilities for financial management of their network, be able to prepare more effectively for the OSBDC Financial Examination, and gain an enhanced understanding of the information contained in this manual as it pertains to their organizational structure.

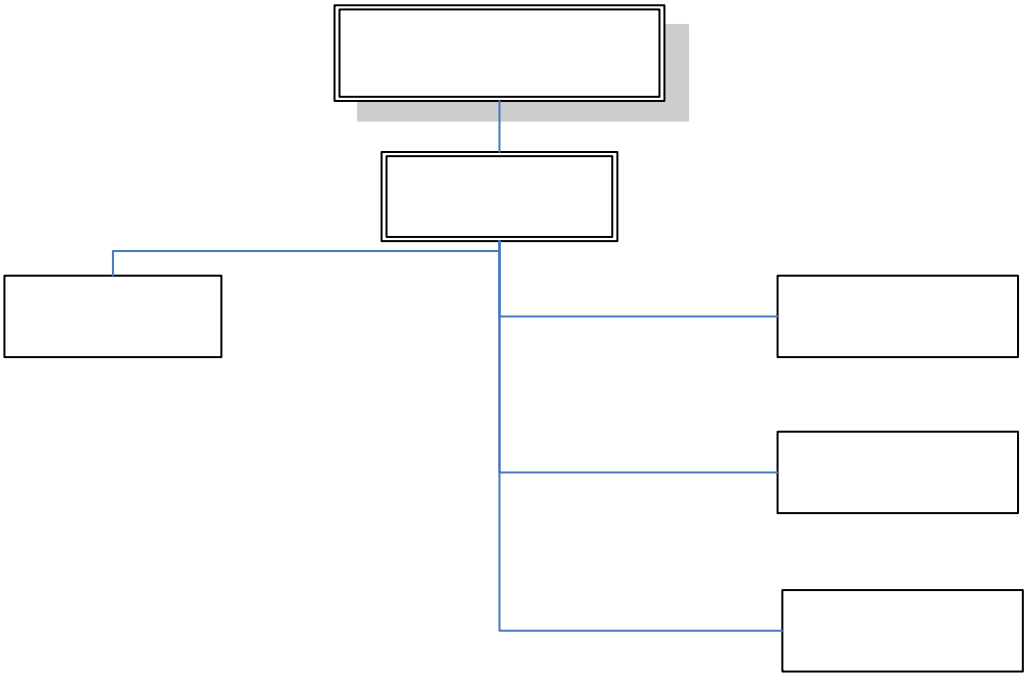
The first delineation is that all State/Region SBDCs (primary Federal funding recipients, not service centers) are either affiliated with a state agency, or a university or community college, or currently are a Women's Business Center. All primary SBDCs that began operation after December 31, 1990 are required by regulation to be based at Universities.

The four basic organizational structures are:

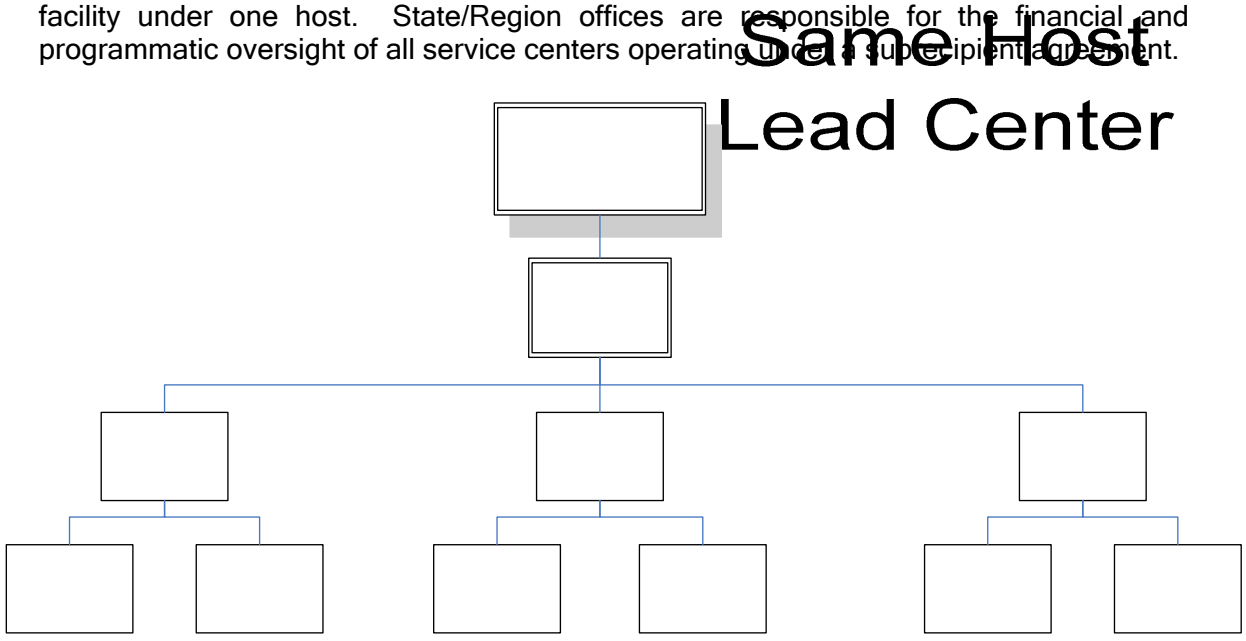
A. Single SBDC State/University/College Host with Same-Host Service Centers - This is probably the most simplified SBDC structure. All centers are employees of a single host institution, and all accounting functions are performed by the Lead Center or State/Region Office. Service centers may manage their own budgets, but final approval for all expenditures is given by the State/Region office. Formal subrecipient agreements are not necessary under this arrangement. The State or Region Office may be physically separate from the primary or lead consulting center or they may be combined in one facility.



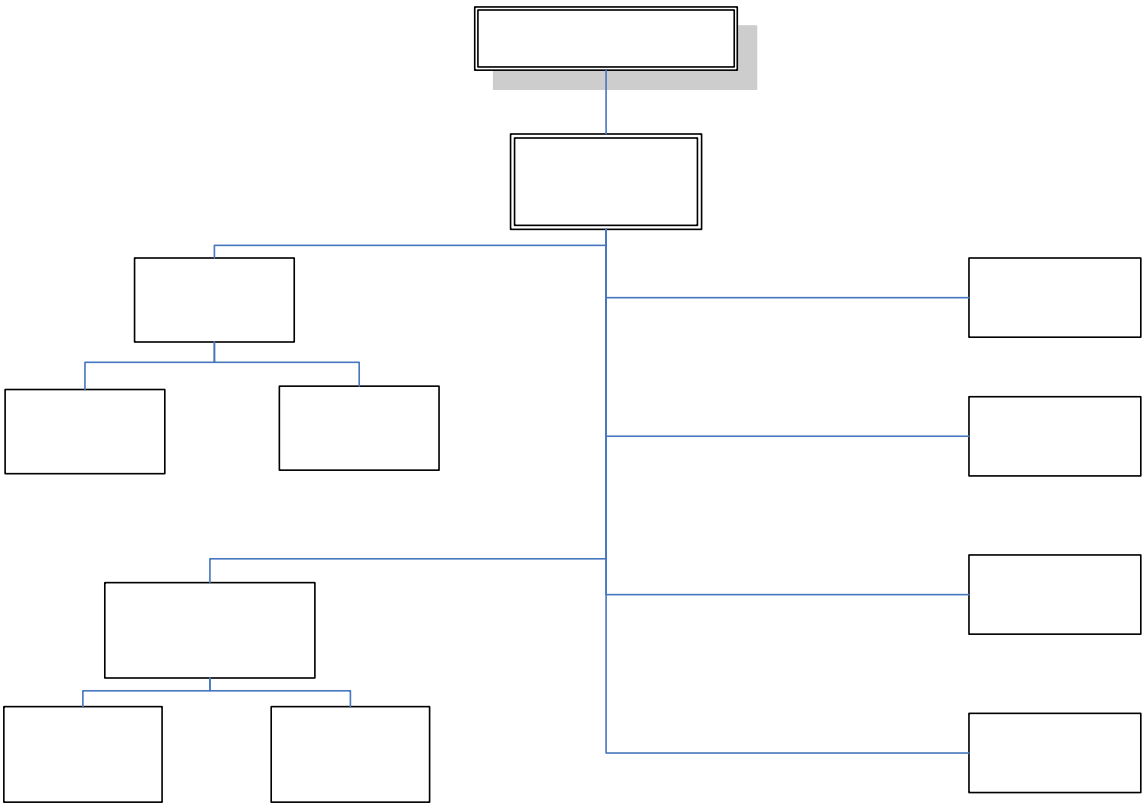
B. Primary SBDC State/ University/College Host with Different Host Service Centers - The primary host is the recipient of the SBA funds, and pass through a portion of those Federal funds to multiple service center hosts through subrecipient agreements. Service center staff report to their respective host institution and centers manage their own funds and budgets within their separate accounting systems, and operate according to the provisions of their subrecipient agreement and their host's policies and procedures. The State or Region Office may be physically separate from the primary or lead consulting center and actually report to different hosts, or they may be combined in one facility under one host. State/Region offices are responsible for the financial and programmatic oversight of all service centers operating under a subrecipient agreement.



C. <u>Primary SBDC State/ University/College Host with different Regional Center Hosts and Third Tier Service Centers under Additional Hosts</u> – This structure provides a middle layer of hosts between the primary funding recipient and the many of the centers carrying out program objectives, with second and third tier hosts issuing subrecipient agreements to lower tier entities. As in the second organization structure under (B), service center staff are employees of their respective hosts, and all accounting and administration is performed at the host institutional level. Both the first and second tier hosts are responsible for monitoring their subrecipients, with the primary SBDC ultimately responsible for all monitoring of subrecipients on a programmatic and financial basis. The State or Region Office may be physically separate from the primary or lead consulting center and actually report to different hosts, or they may be combined in one facility under one host. State/Region offices are responsible for the financial and programmatic oversight of all service centers operating under a subrecipient agreement.



D. Hybrid SBDCs- Primary SBDC State/University/College Host with Some Same-host Centers and Some Different Service Center Hosts - SBDCs may have some centers are affiliated with the same host as the State/Region office, some that operate under a subrecipient agreement, and others that are affiliated with secondary and possibly tertiary hosts. This scenario is likely common among SBDCs, with State/Region offices required to utilize more than one management approach.



Same Host
Lead Center

Section 2. Governing Regulations and Authority

There are five regulation sources that govern the SBDC program, and provide a framework for its administration by the primary SBDC funding recipient:

- 15 USC 648
- 13 CFR Part 130
- SBA Notice of Award
- Applicable OMB Circulars for Cost Principles, Administrative Requirements, and Audit
- SBDC Program Announcement

These regulations set out programmatic, financial, and administrative requirements for the SBDC program. The order of precedence in the event of contradictory requirements between regulations, is as listed above.

A. 15 USC 648 - The enactment of Pub. L. 96-302 established the SBDC Program in 1980. Based on that public law, this citation refers to Title 15 of the United States Code, section 648, which authorizes the SBDC program under law, and sets forth its basic programmatic and administrative requirements. **It is here that biennial program and financial examinations are authorized for SBDCs.** This document can be found at: http://frwebgate3.access.gpo.gov/cgi-bin/waisgate.cgi?WAISdocID=68173629530+0+0+0&WAISaction=retrieve

B. 13 CFR Part 130 – Based on 15 USC 648, Chapter 13 of the Code for Federal Regulations, part 130 sets forth the regulations that govern the SBDC program. This regulation outlines the requirement that the SBA monitors and oversees the cooperative agreement between the SBA and SBDC host institutions. It further outlines objectives of the SBDC program and operating requirements; as well as:

- State Director selection requirements
- delineation of SBA involvement
- financial examination and certification requirements
- restrictions on services
- defines carryforward, overmatch and program income and usage;
- outlines financial reporting and recordkeeping requirements;
- amendment and dispute resolution guidelines;

This document can be found at:
http://www.sbaonline.sba.gov/sbdc/textonly/13cfr130.html

C. SBA Notice of Award (NOA) –The NOA restates many of the requirements of the other regulations such as 13 CFR Part 130, A-110 and 13 CFR Part 143, and the Program Announcement. In the cases where the administrative circulars A-110 and 13 CFR Part 143 give choices on options for treatment/uses in areas such as program income, the NOA states the option required by the SBA under the award. The NOA also includes:

- The scope of work
- Delineation of SBA involvement
- Cash match requirements (1 to 1 match, with 50% cash)
- Payment information

- Prior approval requirements
- Financial and Performance reporting requirements
- Specifies the approved program budget and all approved service centers

D. **OMB Circulars** - There are six primary directives from the Office of Management and Budget that apply to all SBDC awards that pertain to Federal grants and cooperative agreements. There are different circulars that apply based on the host institution type – either higher education, state and local governments, or non-profits. The circulars are very similar in content, but are adjusted for management and governance structures of the different types of entities. Some SBDC primary hosts and Federal funds recipients may come under one circular, where as one or more of their centers if under a different host, may be regulated by a different circular. In this case, primary funding recipients must be familiar with all applicable circulars for their network. The main website for all OMB Circulars is: http://www.whitehouse.gov/omb/circulars/index.html

1. Cost Circulars – Applicable Cost Principle Circulars are:
    - A-21 for Educational Institutions
    - A-87 for State and Local Governments
    - A-122 for Non-Profit Organizations

    These circulars define allowable costs for both direct and indirect costs purposes for both Federal funds and institutional funds used as match to a Federal project. Three important requirements for determining allowability of costs are:

    - Costs must be allowable, (under section J in A-21, Attachment B in A-87 and A-122), allocable and reasonable (necessary to the project)
    - Cost must conform with limitations or exclusions of the sponsoring agency
    - Costs must be treated consistently by the recipient institution as either indirect or direct, where a choice is permissible.

    These circulars also outline methods of determining and assigning indirect or F&A costs (facilities and administrative costs as they are now called). They give examples of items that are to be treated as indirect costs rather than direct costs. The following costs are to be considered indirect or F&A costs:

    - Depreciation and use allowances for buildings
    - Physical Plant costs including utilities, custodial, repairs, property/ liability insurance
    - Dean's office expenses (salaries, fringes, operating)
    - Administrative officer and assistant expenses (salaries, fringes, operating)
    - Sponsored project administration (all costs)
    - Library and student costs

    As discussed later in Section 4 of this manual, there may be exceptions to these determinations for SBDCs, which for most primary hosts can be considered a "Major Program".

    The circulars also define the following key requirements for SBDCs pertaining to compensation:

- Acceptable methods of payroll distribution
- Methods and frequency of time and effort reporting
- Signatures and certifications required on T&E reports

2. Uniform Administrative Requirements Circulars - Applicable versions of the Administrative Circular are:
   - A-110 for Educational Institutions
   - 13 CFR, Part 143 for State and Local Governments
   - A-110 for Non-Profit Organizations

   This circular sets out requirements and definitions as related to grants and cooperative agreements:
   - Cash match
   - In-kind contributions
   - Program Income
   - Equipment threshold
   - Budget revision requirements
   - Financial management, reporting, and record systems
   - Property management systems
   - Procurement standards
   - Agreement termination and enforcement requirements

3. OMB Circular A-133 - Audits of States, Local Governments, and Non-Profit Organizations. Or "Single" Audit - This circular, which applies to all SBDCs, was issued as a result of the Single Audit Act of 1984. That Act stipulates that states, local governments, and non-profits who expend Federal awards are required to include those Federal awards in a single annual audit as performed by those agencies under their authorities. For instance, state controller's or auditor's offices conduct annual audits of their agencies. Under this circular, states are required to include Federal awards received by their agencies under their annual audit. However, the fact that Federal awards are included in A-133 audits does not preclude the Federal government from conducting project-specific audits. The circular applies to entities who receive funding either directly from a Federal agency or as a subrecipient, receiving pass-through funding from a recipient of Federal funds or another subrecipient.

   This circular also sets forth uniform standards for consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal funds. The terms "subrecipient" is clearly delineated within the document, and the oversight responsibilities of prime recipients (this would be State/Region SBDCs) of their subrecipients is contained in this circular as well.

E. SBDC Program Announcement – SBDCs are most familiar with this document, which reiterates program requirements as found in 13 CFR Part 130, as well as stipulate additional program definitions and requirements as negotiated with the SBA. It also provides instructions for the submission of new and continuing proposals, as well as providing further detail on reporting requirements.

   The 2006 Program Announcement can be found at:
   http://www.sba.gov/sbdc/program.html

Section 3. Center Subrecipient Agreements

A subrecipient is a third party entity that performs a substantive portion of the statement of work for a prime recipient of Federal funds under a grant or cooperative agreement. In the case of the SBDC program, a subrecipient would provide counseling and/or training services as required by the SBA in the official program announcement, typically for a specific geographic location or region. This is different than contracting with a vendor for goods or services by the SBDC, which is considered a contractual procurement activity, and that activity would not be covered by a subrecipient agreement. Subrecipent agreements, unlike general procurement contracts, pass down applicable Federal regulations that pertain to a specific Federal project, and the performing party has financial and reporting requirements. Subrecipients are also subject to Federal audits for program compliance whereas vendors are not. Further distinctions between subrecipients and vendors can be found in Subpart B of OMB Circular A-133, section .210. Financial expenditures of SBDC centers that operate under a subrecipient agreement would be budgeted by the State/Region Office in its proposal to the SBA on the "Contractual" line of the SF424A, and reported accordingly on the SF269 as submitted to the SBA.

This section pertains to SBDCs who have centers that operate under a subrecipient agreement with the State/Region office. However, SBDCs who's centers have the same host and therefore are not required to use subrecipient agreements, are encouraged to have at a minimum, unilateral or bilateral agreements that outline a scope of work, to include goals and performance expectations, as well as institutional financial responsibility requirements for each center.

A. Applicable Regulations and Operational Requirements.

The financial management of the Small Business Development Centers is subject to various regulations as outlined in Section 2 of this manual. Federal funds received by the centers as well as the match funds they provide are subject to the sponsoring agency guidelines and contractual terms, as well as the applicable OMB circulars. All applicable regulations, including Debarment and Suspension clauses, certifications regarding lobbying, and conflict of interest certification requirements should either be specifically outlined or be incorporated by reference in the agreement between the Lead Center and its centers hosted by other institutions.

State/Region SBDCs should keep in mind that they may include more restrictive language in the subrecipient agreement on subject areas than are addressed in the applicable regulations, but they may not have less restrictive requirements than those stipulated in the circulars and other regulations. For instance, the Notice of Award from the SBA as well as OMB Circular A-110 require agency approval for any equipment purchases of $5,000 more for items not specifically listed in the proposal budget. A State/Region office may include a requirement that subrecipients request State/Region office approval for any item costing $1,000 or more to obtain better budget control, but they may not move the threshold for SBA approval higher than the $5,000 level.

B. Required Host institution Clauses.

In addition to sponsor regulations, there may be certain guidelines/requirements provided through the lead center's host institution. It is important to communicate with the appropriate office to determine the needed clauses and specific language required by the host institution. Typical clauses that hosts institutions will require may include:

- Dispute Resolution (often using state required language)
- Liability and Indemnification requirements
- Publication and acknowledgement requirements
- Assignment restrictions
- Inspection and audit requirements
- Termination terms and conditions

C. Additional Understandings and Restrictions Imposed by Lead Center

Depending on the structure of the SBDC network in your state, there may be a need for additional restrictions or requirements that would assist the state director's office in meeting its obligations to the sponsors. It might relate to collecting financial data, client information, or anything regarding program deliverables. At a minimum, it is suggested that the following be specifically included in the subrecipient agreement for program delivery and oversight consistencies:

- Definitions from the SBA Program Announcement
- Statement of Work, to include coverage area or territory
- Goals or milestone requirements
- Reporting format and forms, required frequency and due dates
- Financial and programmatic on-site review requirements
- Billing/invoicing requirements (outlined further, below)
- Program income expectations, appropriate uses, reporting formats and frequencies

D. Invoicing/Financial Reporting Requirements

State/Region offices can require invoicing frequencies as often as monthly, but many require quarterly billings to the lead center. Most subrecipients will want a minimum of quarterly invoicing to maintain good cash flow. Monthly invoices allow for better predictions on possible cash balances by the State/Region offices, as well as establish a good review structure for onsite reviews and comparison to subrecipient institutional records (as discussed under Section 4, under center review procedures), which are typically provided on a monthly basis. Quarterly invoicing allows centers more time to gather the necessary information while also providing adequate time for the State/Region office to review reports and submit to their host institution's accounting office.

At the discretion of the State/Region Office, full expenditure documentation may be required to accompany center invoices. The choice of whether or not to require documentation with the invoice will depend largely on the type of center reviews performed by the State/Region office, as discussed in the next Section.

The invoices that Centers prepare are the basis of the worksheets that the State/Region office will build, becoming a substantive part of the "cross-walk" between institutional records and the semi-annual and final SF269 as submitted to the SBA. These work papers are required to be supplied to the OSBDC Examiner for use during the on-site review. Invoices received from the centers should include several critical elements that will assist the State/Region office with this data-building process (some to be included on the invoice either at bottom or as an attached sheet):

- Line item descriptions and breakdown that reflect the center proposal budget
- Monthly and cumulative totals for both Federal expenditures and match expenditures
- Sources and totals of each match source
- Cost center/account numbers for all funding sources
- Equipment and computer purchase descriptions for the period
- In-kind contributions description
- An indirect cost schedule

Several examples of invoices used by SBDC State/Region offices are included in Appendix 1.

E. Modifications to Agreements and Budgets

It is important for the centers to be familiar with the regulations regarding budget reallocations. When a center anticipates a major reorganization or circumstances that would require a significant reallocation of funds (greater than 10% of their SBDC program funding), a revised budget must be submitted to the Lead Center for prior approval.

If there is an increase or decrease to total funds received by a center or if a center is closing, an amendment to the original subagreement must be issued and signed by both parties. This amendment would include language stating the revision to the original document and the new amount of total funding for the specified performance period.

F. Sample Subrecipient Agreement

State/Region offices should receive guidance and approvals from their hosts regarding all subrecipient agreement content, authorities, and compliance issues. SBDCs should use bilateral agreements for their centers to ensure full understanding and agreement to all terms. Authorized representatives of each institution should sign the agreement in advance of the substantive completion of the contract.

Examples of subrecipient agreements used by SBDCs can be found in Appendix 2.

Section 4. Preparation for the Examination and State/Region Office Center Reviews

This section was prepared to assist State/Region Small Business Development Lead Centers in performing reviews for service centers, specifically those who's centers operate under subrecipient agreements. We realize that each state has unique challenges and situations and you may not find an answer to a specific situation. This is to be used as a guideline only. Performing internal reviews will assist in program consistency and prepare the Lead Center and its service centers more adequately for external reviews, whether this is through the SBA, host institutions or other funding partners.

It is recommended that State/Region offices and service centers organize their financial management practices to meet the Federal and program requirements. This may include how cost centers or accounts are established and utilized, how files and reports are maintained, report accessibility, internal procedures, and approval/monitoring policies and practices. If the SBDC organizational structure is properly established, the OSBDC examination will require far less preparation and likely have a more positive outcome.

A. Financial and Administrative Considerations

1. **Cost center/accounting requirements** - Centers should follow their host's policies and procedures regarding employee compensation, purchasing, travel, vendor payments, property management, equipment and non-capital asset disposal, etc.

Host institutions should establish a separately designated account for SBDC Federal funds awarded under the subrecipient agreement. Matching funds may either be established in a separate account, or combined with the SBA Federal funds for the SBDC project. Separate accounts may make it easier to identify transactions related to use of Federal funds versus matching funds, but either method is acceptable. Matching funds, if held in a separate account, cannot be commingled with funds used for other non-SBDC projects.

It is expected that cost center or account ledger totals for a project year will match the amounts reported to the SBA on the final invoice for both Federal, matching, and program income funds. Due to differences between most host institution's fiscal year and the project year for the SBDC, matching totals may need to be explained with a spreadsheet and supported by corresponding accounting records to show how the amounts reported were derived. Such work papers and spreadsheets must be maintained at the departmental level for review.

2. **Unallowable Costs** - OMB Cost Circulars A-21, A-87, and A-122 establish principles for determining costs applicable to Federally funded contracts, grants, or other agreements, and whether a selected item of cost is acceptable to be charged as either a direct or an indirect cost. **The SBDC qualifies as a "major project" and therefore, administrative and clerical salaries that are normally allowable only as an indirect cost, are allowed as a direct charge to our SBA-SBDC award, or may be used as a direct cost match to the SBA-SBDC award.** Keep in mind that the allowability of any particular cost applies to both Federal funds *and* to funds used as match to a Federal award. These circulars also contain comprehensive lists of allowable and unallowable costs as they apply to Federally funded sponsored agreements. The exception to the determination of allowability contained in these circulars is if selected items of cost that are normally unallowable, are specifically contained in the approved award budget, or if approval is received from the agency prior to incurring the cost

3. Program Income and Cash Handling – As stated the NOA and the Program Announcement, the SBA requires that program income be available to the SBDC, that it is used to further program objectives, and it may not be used as required match. Beginning and ending balances of the program income accounts must correlate with amounts reported to the SBA. The SBDC and its host institution should have procedures in place to ensure that all revenue from training and events are deposited to the SBDC's program income account, use of those funds is documented in the account, and that those amounts are verified. The host institution should have adequate internal controls in place to ensure the appropriate management of all cash receipts.

4. In-Kind Match - Some centers do not have a negotiated indirect cost rate with either the SBA or a cognizant agency (see item 6. below for a discussion on cognizant federal agencies). In cases where no rate exists, some institutional expenses that can be shown as direct benefit to the SBDC and qualify as reasonable, allowable, and allocable under OMB Circular A-21, can be reported as in-kind expenditures. Items such as use allowances on furniture and equipment cannot be used as in-kind match once the item has been fully depreciated. Personnel used as in-kind must have SBDC effort reflected on their timesheets, and must relate to salary information for those individuals. For an alternative to in-kind match, see item 6 of this Section, Indirect Cost.

5. Fringe Benefits – Host institutions must charge actual fringe benefits for employees who are supported on both Federal and Federal matching funds unless the host has a negotiated fringe benefit rate with the Federal government through a cognizant agency. Payroll systems must provide a detailed listing of those charges by employee, even if benefits are paid centrally and not charged directly to the SBDC's accounts. Where such documentation is not available, those fringe benefit charges ***may not*** be used to satisfy matching requirements.

6. Indirect Cost or F&A Rates – State SBDC programs and in some cases, service centers who receive Federal funding totaling $100,000 or more annually (all agreements) may have negotiated an indirect (IDC) or facilities and administrative (F&A) rate with a cognizant federal agency. For educational institutions, either the Department of Health and Human Services (HHS) or the Department of Defense's office of Naval Research (DOD) will be designated as the cognizant agency, depending on which of the two agencies provided more funds to the institution for the most recent three years. For other agencies including non-profits, the cognizant is typically the agency that provides the largest dollar value of awards to the organization. The negotiated indirect cost (or facilities and administrative) rate, which applies to all federal awards received by the host institution, covers the cost of the institution providing centralized services and administration on Federally sponsored programs such as payroll and purchasing, as well as maintaining the facilities that house the project. Depending on how the rate was negotiated, it is applied as a percentage of Federal and match totals of salary and wages, salary and wages plus fringe benefits, or modified total direct costs excluding equipment, subcontracts over $25,000, lease payments, and various other categories, depending on the agreement. Institutions must have a current signed agreement with their host institution Lead center in order to include IDC or F&A costs as match.

If a center does not qualify for an institutional level indirect or F&A rate, they may request the State/Region Office submit a project-specific rate request to the SBA for sole use with the SBDC program for matching purposes. The rate generally approved is 24% of total direct costs for those centers (calculated on match and Federal expenditures) and has a specific end date. The rate may be renewed upon expiration. Note that this

project specific rate will become void if the institution receives a negotiated indirect cost rate agreement from its cognizant agency.

The format for requesting a project specific Indirect Cost Rate with the SBA can be found in Appendix 3.

7. Expenditure Documentation - Requisitions, purchase vouchers, etc. should all contain clear descriptions of the items purchased and their intended use. If it is not obvious to an outside reviewer what the item is, what it will be used for, and its benefit to the program, a statement of explanation should be added. Documents for items with split costs between the SBDC and other departments or projects should include a justification as to how the split was determined (i.e., reasonable benefit to each unit or project) and cannot be done on the basis of ability of each unit to pay. Local mileage logs should include the purpose of each trip, and the address or name of the destination so that, if needed, mileage can be verified. For mileage related to client visits, it is recommended that the client number be included on the travel reimbursement request forms for verification purposes.

8. Cost-sharing documentation of time and effort - Salary charges for personnel charged to a Federal grant or contract or used for cost-sharing must be documented, in some states or regions this is referred to as a time and effort report. OMB Circulars require that effort be documented no less than every six months for all periods with required certifications as to correctness and effort stated for the SBA project. Biweekly time and effort reports (typically called timesheets) should coincide with the pay period and should account for 100% of the employee's time.

9. Property Management - OMB Circulars A-110 and 13 CFR Part 143 establish guidelines for proper inventory and property management of capitol equipment. Circulars A-21, A-87, and A-122 outline definitions of equipment, and when prior approval is required for purchase. The SBA requires their prior approval of any equipment not specifically listed in the proposal budget. The SBA considers each institution's dollar definition for equipment as the determining factor as to whether an item qualifies as equipment, and therefore the definition varies from state to state. Most SBDC host institutions now have an equipment definition threshold of $5,000, but some still have inventory requirements for non-capital items such as computers. As required under OMB Circular A-110 and 13 CFR Part 143, an institutional level property management system must be maintained, and physical inventory conducted no less often than once every two years.

10. Document retention requirements - SBDC's should maintain financial records in such a manner that they are complete and easily accessible for reviewers at any time. Copies of all documents, including purchase orders, vendor payments, travel documents, timesheets and payroll documents should all be retained at the departmental level. Other forms such as leave requests, cash receipts and deposit records, and individual long distance records that may be forwarded to a central office for retention should also be maintained at the departmental level for reconciliation purposes.

It is recommended that the SBDC keep its records such that all expenditures related to a specific invoice are together. Complete files will include the monthly financial statement as provided to the department by the host institution, including any financial work papers or spreadsheets relating to the final invoice.

Under OMB Circular A-110, 13 CFR Part 143, and SBA requirements, all financial records must be maintained by each host institution for the current year of operation, as well as for the three previous program years.

B. Financial Reviews of Service Centers by Lead Center

The objective of a financial review is to provide the Lead Center with an accurate view of completeness, reporting accuracy, and compliance with governing Federal regs and to satisfy monitoring requirements as required under OMB circular A-133.

1. Type and frequency of reviews – There are two methods for center reviews that may be employed by the Region or Lead Center:

   - Annual on-site financial reviews to assess sample documentation and administrative processes for a specified accounting period,

   or

   - Monthly or quarterly desk audits of documentation requested to be submitted with selected or all invoices, conducted at the State/Region office, with center on-site reviews no less often than once every two years; more frequently if warranted by desk review outcomes.

   If a desk review indicates that a center's accounting is questionable, a site review should be made that year. If the desk review work appears favorable, a site review to assess accounting controls and procedures could be conducted every two years. However, a center should not go without a site review for more than two years regardless of how well a center appears on paper. Past performance and center volume should be considered in determining if a center should have less frequency than an annual review. If a service center has repeat findings, desk reviews by Region/Lead offices would not be appropriate as hands-on help/education would be warranted in that situation.

   There are merits and draw-backs to both options, and the one chosen may be dependant on travel budget restrictions, as well as time and staffing constraints. Requiring full documentation with invoices requires significant time and effort for both the center and the State/Region office in the review process, depending on how the documentation is organized and transmitted (hardcopy, pdf). Annual site reviews are typically conducted by reviewing samples of expenditures rather than all documentation, but can be done using methodologies that will highlight major problems and issues in a short review period.

2. Written guidelines – The State/Region office should provide written administrative and financial guidelines for its centers to follow. This is particularly important for new centers or new center directors. This should be done regardless of whether or not the State/Region office conducts desk audits or on-site reviews to satisfy its monitoring requirements. These guidelines can provide details on how to establish accounts, accounting practices, required documentation, details on invoicing and reconciliation to host financial reporting records, cost sharing, unallowables, etc. This document can serve as a summary or highlight of requirements to ensure compliance with Federal cost and administrative circulars. Such a guideline will also allow for the consistent treatment of financial activities by all service centers.

3. Checklists for desk audit of documents or on-site reviews – It may be helpful for the State/Region office to use a checklist for either their desk audit or on-site review. First, it can be shared with service centers so that they have an understanding of what the State/Region office will be reviewing. It also provides documentation to the SBA that the State/Region office is performing adequate monitoring of its centers.

   A sample checklist for on-site center reviews is included in Appendix 4.

4. Lead center personnel interviews - Depending on the size and personnel at the center, interviews may not be needed with all center personnel during State/Region Office on-site review. Key personnel that should be interviewed would include the center director, the office associate or person responsible for the financial records of the center, and any other personnel with duties relating directly to financial responsibilities.

5. Common Problem Areas – The SBA maintains a list of findings that have resulted from the OSBDC Financial Examinations. This list includes, but is not limited to the following:

   - Inadequate T&E reporting system
   - Inadequate expenditure approvals
   - Insufficient in-kind documentation
   - Inadequate property management system
   - Inaccurate reporting of program income
   - Expenses submitted outside of grant period
   - Claimed expenses that do not reconcile to host ledger records
   - Duplication of costs used for match and costs included in F&A pools
   - Cash match expenses not under control of state director or center director

   A more complete list of common SBA findings can be found in Appendix 5.

6. Sample Reports to Centers - It is important that a follow-up letter or report is sent to the center director following an on-site review by the State/Region Office. For SBDCs that perform desk audits of their centers, a letter outlining repeat problems or serious inconsistencies should be forwarded to the center. This provides a visual and concrete interpretation of review findings if any and recommendations made. It also provides an opportunity to clarify any miscommunication and/or misunderstandings.

   A sample of a letter/report is included in Appendix 6.

7. Follow-up documentation - After the completion of the review, the reviewer will discuss any issues or concerns with the center director. A letter/report of findings and recommendations will be issued to the center director. Some findings may need correction at the host institution level. In this case, the reviewer should distribute the report to all appropriate personnel for review. The center director should respond in writing to the findings as listed in the review (unless no findings were made). There should be an agreement between the reviewer and the center director of a timetable for resolution of all issues cited in the report. The reviewer should follow-up with the center director on a consistent basis according to the timetable agreed upon.

8. **SBA Project Officer Responsibilities** - The SBDC cooperative agreement NOA delineates the SBA's role in the management of the SBDC program. It contains the statement that, "SBA shall ensure that SBDC activities conform to the requirements of the Small Business Act (15 USC 648), the Program Announcement and the Cooperative Agreement."

   Each SBA Project Officer is required to perform an onsite visit to the Lead Center twice annually, and a minimum of two telephone conferences with the State Director during which time performance and checklist items are discussed. In addition, the SBA Project Officer must visit each Service Center location annually. In multi-district states, SBA Project Officer designees in other district offices may conduct visits to the Service Centers in their territories. However, responsibility for quality control and assurance that the visits are conducted rests with the primary SBA Project Officer in the office responsible for negotiating the Cooperative Agreement.

   a. Review with the State/Region SBDC Director all corrective actions that have been taken on program and financial reviews, including SBA headquarter examinations and ASBDC certifications.
   b. Determine that the Lead SBDC maintains, and requires all Service Centers to maintain, accurate records and supporting documentation to facilitate any financial and/or program audits.

Section 5. The Examination Process

A. Notification by SBA

OSBDC examiners will make initial contacts with SBDCs approximately four to six months prior to the first of potential scheduling dates of the examination. For larger SBDCs, the examination will be scheduled for two consecutive weeks; for smaller states or regions, the examination will be scheduled for one week. Depending on the outcomes of the previous examination and the size of the network, the examiner may visit all network centers or a subset of all centers. Under current SBA policy, SBDCs who incur only minor findings in an OSBDC review will undergo an abbreviated review for the next cycle, which may include a complete or partial desk audit for low-risk SBDCs. During the next review cycle, regardless of previous outcome, the SBDC will undergo a full financial on-site review by the OSBDC, spanning the normal one or two week period for the larger SBDCs.

The Associate Administrator for Small Business Development Centers (AA) will notify the State/Region Director of the examination in writing approximately three months prior to the previously agreed-upon examination date. The letter of notification will contain a list of documentation to be sent to the examiner three weeks in advance of the examination. This documentation will be required for the lead center as well as the selected service centers. The letter will also define the period to be examined, which is typically the most recently completed budget or program year. Several weeks prior to the due date for the pre-examination documentation, the examiner should notify the SBDC of those centers he/she will visit if all centers will not be included in the examination.

SBDCs should notify the appropriate grants, accounting, or compliance personnel at its host institution that the SBA will be conducting a financial examination. The examiner may wish to interview these central administration personnel during his/her review, and one or more of these individuals may wish to participate in the entrance and exit interviews with the examiner. SBDCs should comply with host institution policies and procedures and notification requirements regarding outside financial examinations.

B. Pre-Examination Documentation

The letter confirmation from the AA will include the list of information required to be provided to the examiner three weeks prior to the scheduled examination. The bolded language is taken directly from the list provided by the SBA, with additional information in normal typeface below each item:

1. **Narrative discussing the implementation of recommendations from prior examination.**

   Discuss how findings from the SBA review report have been resolved. If issues remain unresolved, provide a timeline for implementation of the recommendations.

2. **Lead center's review steps used to monitor service center programmatic and financial activities. Results of lead center programmatic and financial review of service centers for the examination period.**

As discussed in Section 4, State/Region Offices or Lead centers should have written guidelines or standards that they require to be met by all centers from both a financial and programmatic perspective. Programmatic guidelines will generally be tied to the Accreditation standards and will revolve around the self-study guide. The financial guidelines will outline Federal regulation requirements, as well as what financial review tests will be performed during the on-site review conducted by the lead center.

Written responses that stipulate findings by the lead center for both programmatic reviews and financial reviews should be provided to each center. Copies of these reports are to be provided to the OSBDC examiner for the selected centers.

3. **Results of A-133 audits conducted on the lead center or service centers should be available on-site during the review.**

This refers to each state's or agency's single audit as conducted by its state controller or audit department. Again, as outlined under OMB Circular A-133, each state is required to include Federal contracts and grants in the scope of their annual financial audits.

Generally the most recent A-133 audit document can be obtained for a state government through the website for each state or from the host's grants office, and should be available for review by the examiner during the on-site review. It is not required to be sent to the examiner in advance.

4. **List of other Federal and other programs administered by the SBDC.**

This list is required to be provided at the time of proposal submission as well, and this list with any corrections for the examination period should be supplied to the examiner.

5. **Lead center's and selected service center chart of accounts**

This is a list of all the cost centers or account numbers for the SBDC's matching funds, Federal funds, and program income. The SBA has a sample format to follow for outlining this information:

SBDC Name & Location	Enter account numbers below. Please note source for cash match account(s)			
	SBA funds	Cash match	Program income	Description

Another report that clearly lists all SBDC account numbers with descriptions for reference by the examiner, may be substituted for the above format. Also provide your institutional list of accounting codes or object codes that designate expenditure or revenue activity. For example: 52009 may be for professional salaries, 52010 clerical salaries, 53000 lease payments, 54050, printing, etc. – using whatever codes and descriptions your institution uses. The list will be

available from your accounting or comptroller's office. The list will allow the examiner to more easily read your institution's financial statements or detailed ledgers).

6. **Agreements for matching funds (have available for on-site review – do not send to the examiner).**

   In most cases written agreements with partners who provide matching funds will exist in the form of the subrecipient agreement between the lead/region center host and the service center host. There may be other written agreements with EDCs, CDCs, or local governments who provide matching funds to SBDCs, that outline expectations, amounts and availability of funds, etc. These agreements should be available for the examiner during the on-site review, and is not required to be sent in advance.

7. **Lead centers and selected service centers host institution detailed ledger/journal by budget item for the examination period. Include ledgers containing Federal and matching expenditures. These ledgers should contain individual expenditures, date of expenditure, description of expenditure, reference number and amount.**

   This should be a *transaction* listing, as well as a budget and actual expenditure *summary* for the full grant period from the host's official financial reporting system. This is required for both Federal and match ledgers, and should include detailed information related to individual expenditures. The examiner will use this list to request specific documents to review during the examination.

   The total expenditures for the period should match what was reported to the SBA for Federal, match, and program income. If the total expenditures *do not match* what was reported to the SBA for the grant period, include a worksheet that explains the differences so that the amount reported to the SBA can be calculated.

8. **Spreadsheet that links the Lead center ledgers, in-kind and indirect costs support, service center invoices and the SF-269 for the examination period. This spreadsheet should support lines e, f, g, h, i, and j on the SF-269.**

   The SBA has its own version of the SF-269 (Financial Status report – due to the SBA semi-annually), with attachments, for program income and includes a schedule of indirect costs. This reconciliation can take any form; the SBA does have a suggested format for this "cross-walk" between the host's institutional records and the SF-269. It is important that any adjustments are fully outlined, and that the logic and progression of the calculation is sound.

9. **Copies of reimbursement invoices submitted by each service center to the State/Region/Lead center for the examination period.**

10. **Detailed list of all in-kind reported by each service center. This list should contain the name of the donor, what was donated, and the amount of the donation.**

    Each center should ensure that each donation has a separate document to be reviewed during the on-site review which contains the following:

    a. Name of the donor
    b. Phone number of donor

c. The dollar value of the donation
d. The basis for the valuation
e. A clear description of what was donated

11. **Program income schedule, including the Lead center and all service centers, summarizing their respective: 1) beginning balances; 2) revenues; 3) expenses; and 4) ending balances**

    This information should be contained on SF-2113 for each center, plus the network total as submitted with the final SF-269. Only network totals are submitted with the SF-269, but the reviewer is requesting the detail for each center.

12. **Program income journal/ledger which shows both income and expenses for the examination period and the prior year, for the Lead center and the selected service centers.**

    The examiner is looking for the same ledger summary and transaction listing as requested for Federal and match accounts. The balance to be carried forward from the end of the fiscal year, and expenditures and revenue amounts should match what was reported to the Lead center and the SBA. Where discrepancies exist, a spreadsheet outlining the adjustments should be provided.

13. **List of employees (for the examination period and the prior year), salaries, wages, fringes, related responsibilities, and percentage of time worked on the SBDC Lead center and the selected service centers. This should be a list of employees who actually worked during this period. This list may differ from the list of employees included in the proposal.**

    The important thing is to provide the names with salary information, etc. for those employees whose salary was either charged to Federal funds or those whose salary was reported as match. Information on other personnel not charged to Federal or match funds are not being requested here.

14. **List of consultants and amounts paid during the examination period.**

    This refers to non-employees who provided consulting services to clients, and does ***not*** refer to contractors who provided goods or services to the SBDC, such as instructors or vendors.

15. **Schedule of costs by cost element *(as included in the proposal)* comparing budgeted costs to actual costs for the Lead center and the service centers**

    Provide a spreadsheet that shows differences between SF-424 budget categories (as submitted in the proposal) and actual expenditures according to institutional financial statements and ledgers for both Federal and match funds.

16. **A schedule that shows the training classes provided by the lead center and selected service centers, the date the class was held, the number of attendees and the fee for the period under review.**

    This list will be used by the examiner to track program income receipts through the deposit process at the institution. Annotations about “Scholarships” or reduced fees are helpful here.

C. Entrance Interview and Areas to be Reviewed

The examination will open with an entrance interview. This meeting typically includes the examiner, the State/Region Director, and SBDC financial personnel, usually the Assoc./Assistant State/Region Director or Director of Finance. It may include the SBA District Director or Project Officer, and central administration personnel from grants, compliance, or accounting offices. The purpose of the meeting is for the examiner to explain the scope of the review, his/her planned methodology, and discuss the agreed upon schedule for the duration of the examination.

The examiner will generally spend the first two days at the Lead center or Region Office reviewing their financial records. The examiner will proceed to travel to each of the selected centers to conduct the financial review. Centers that are distant from the lead center geographically may be reviewed remotely from the lead center, as determined by the examiner. Lead center financial personnel may choose to accompany the examiner to center site visits, but this is an individual State/Region SBDC decision.

The examiner will concentrate on the following areas at each center:

1. **Previous examination findings** to determine resolution status

2. **Lead center oversight policies and procedures** to ensure that procedures are adequate and provide good fiduciary control of centers and network activity, to include:

    a. requiring separate ledgers for funding separate from any other projects (SBDC Federal and match funds may be combined into one account ledger),
    b. preventing unallowable commingling of funds of unrelated programs (SBDC Federal and match may be in same account)
    c. avoiding double counting with other programs
    d. expenditure documentation is available for review
    e. good internal controls for review of reimbursements, approvals
    f. that expenditures agree with approved budget, A-110/13 CFR Part 143 approvals and re-budgeting limitations
    g. center close-out procedures are established

3. **Lead center periodic financial reviews of subrecipients** to determine the adequacy of center monitoring by reviewing lead center reports to centers, the responses from centers, and determine follow-up status on findings.

4. **Final SF269** to ensure that the final financial summary report maps to institutional general ledgers for Federal and match and documentation regarding the SF272s, letter of credit draw-downs, using any worksheets provided by the lead center. The examiner will also review the timeliness of these reports as submitted by the host institution.

5. **Salaries and compensation system** to ensure that policies, process, approvals, time and effort reporting systems are in place and that documentation matches the charges as posted to the general ledger disbursement records

6. **Cash disbursements** of both Federal and match, are allowable under OMB cost circulars (i.e., section J under A-21, and that they meet the three tests of reasonability, allowability and allocability as defined under that circular).

7. **Staff salaries and benefits** by employee, % effort on SBA are reasonable and match payroll records and ledger charges.

8. **List of paid consultants and amounts** are reasonable and match disbursement records.

9. **Expenditures dates** should coincide with the project period, particularly with cash match.

10. **Travel** is within grant period and follow institutional policy, and that the documentation shows benefit to the SBDC.

11. **Dues** paid are in the name of the institution rather than individual and are not for social or civic organizations. Subscriptions also are required to be in name of institution and should be within the grant period,

12. **Contracts and purchase orders** are reasonable, and match disbursement records.

13. **Procurement procedures** allow for adequate competition, and policies exist to protect against conflict of interest,

14. **Review of equipment** as expended in the period is either listed in the proposal budget or by separate letter from the project officer. The examiner may also conduct spot check of the physical inventory.

15. **Federal letter-of-credit drawdowns** are within regs and match final SF269,

16. **Review of in-kind documentation** for adequacy/ appropriateness, and how the value of the donation was determined. This is an area that is particularly troublesome for SBDCs who utilize in-kind donations to satisfy their match requirements.

17. **Cash match funding sources** for unallowable sources (i.e. other Federal, or funds *not* under control of director). Centers should be able to document all cash match funding sources from their host institution.

18. **Prior agency approval** has been received as required. The Notice of Award from the SBA outlines instances where agency approval is required.

19. **Other institutional policies and systems** for areas such as procurement, travel, property management are in place and are adequate.

20. **Program income** as listed on SF2113 balances to ledgers; funds used to further program objectives,

21. **Indirect costs or F&A costs** review to ensure there are no duplicate expenses in IDC/F&A pools and direct match items; IDC shown on Schedule of Indirect Costs (attachment to SF269) is accurate and supported by rate agreements and invoices; that budgeted amount for IDC has not been exceeded

22. **Training classes** held during exam period will be reviewed to ensure that program income was collected, deposited and received for or on behalf of the SBDC for selected classes. This is to ensure that good internal controls are in place at the center to ensure the proper accounting for program income.

D. Exit Interview

The final day of the examination will conclude with a formal exit interview. Typically all parties who attended the entrance interview will be present at this meeting. The purpose of this meeting is for the examiner to give a summary of any findings for the network. This is an opportunity for the SBDC to offer additional information in defense of the findings, and to possibly to negate the examiner's results. Where no additional information is provided, the examiner will proceed to document his/her findings in the written report to the SBDC.

Section 6. The Post-Examination Process

In approximately 30 working days after the completion of the financial review the State/Region Director will receive a draft report for review for accuracy of statements and findings that will include suggested corrective actions. The findings sited in the report should be the same as those outlined in the exit interview. The addition of new information to the report that was not discussed at the exit interview may be the result of information supplied by the SBDC at the request of the examiner, post on-site review. Such information may be requested for limited subset of documentation items unavailable to the SBDC during the review, most likely available at the institutional level. *At all levels of review and response, the Lead Center SBDC should follow its own institutional policies with regard to inclusion of appropriate personnel for review and final response authorities to the draft and final reports..*

A. Report Distribution and Content

1. The distribution list for the report will include, at a minimum:
    - The State/Regional Director,
    - Grants Officer/Controller of the host institution or state under review,
    - The SBA Project Officer,
    - The SBA District Director

2. The financial report will be divided into several sections:

    a) Overview of documentation and centers reviewed
    b) Summary of results (comprise of items under c & d. below)
    c) Corrective actions resulting from previous examination
    d) Details of results of current examination, typically in the following categories, first for the Lead Center, and then for service centers:
        1) Examination results of costs claimed on SF 269
        2) Cash disbursements
        3) In-kind contributions
        4) Indirect cost collected or reported as match
        5) Program income

The report should provide specific information regarding calculations of any financial discrepancies or inconsistencies, unallowable expenditures, or internal control or procedural issues found by the examiner. The examiner will site the regulation (from the applicable OMB Circular, Program Announcement, the SBA Notice of Award, or 13 CFR Part 130, that is at issue with regard to each finding and make recommendations for actions based on the those regulations.

B. Responding to Draft Report

1. The SBDC Lead State/Regional Director should respond to the examiner within 30 working days of receipt of the draft report, making recommendations in writing with respect to accuracy of statements, findings and suggestions for modifications.

2. Within ten working days of receipt of suggested modifications by the SBDC Lead Center, the OSBDC will either concur via email or indicate objections to the proposed language changes and terms proposed. Further negotiations may be needed or differences in interpretation of facts may need to be resolved at this point, with a timetable for remedy agreed upon by both parties.

3. Within fifteen working days a group comprised of the State/Regional Director or his/her designee, a representative from the host institution's controllers or grants office, the OSBDC on-site examiner, and possibly the OSBDC Director of Financial Analysis will convene via telephone or other acceptable manner to resolve any differences.

C. Final Report and Institutional Response

Within ten days after completion of the report findings and its narrative language, the final report will be issued by the OSBDC Examiner. The final report will be issued by the Associate Administrator and sent to the State/Regional Director of the program under review with the following distribution:

- The SBA District Director
- The SBDC Project Officer
- Host Institution Controller/ Grants Official
- Chair ASBDC Accreditation Committee
- SBA Grants Management Specialist

1. The transmittal letter will request a formal response from the Lead Center within 30 days of their receipt of the final report. The SBDC Director, mutually with the host institution or state agency will prepare its formal response to the findings and suggested recommendations.. The response should detail an action plan for each category listed requiring action.

2. Within thirty working days after the SBDC has submitted their response to the Associate Administrator, the SBDC project officer will certify his/her concurrence of the plan in writing, and sent that response to the OSBDC with a copy to the district director

3. Within 90 days of the concurrence by the district office, the SBA project officer will request a status update from the SBDC of the implementation of the mutually agreed upon corrective action plan. If all items are complete by the SBDC, the OSBDC is required to send a formal letter to the respective SBDC State /Regional Director indicating completion for all finding recommendations. If a revised timetable is needed that should be mutually negotiated and completed within the next thirty working days.

APPENDIX 1-A

INVOICE

Center Name:_____

SBA FUNDING

Invoice for quarter ___/___/___/ through ___/___/___/

	SBA (Acct. #___)	Direct Match	Indirect Match In-kind	Indirect Match Overhead
Personnel				
Employee Benefits (EB rate: _____%)				
Travel				
Equipment*				
Supplies				
Contractual				
Consultants (Outside)				
Other (Include quarterly State Director's Assessment)				
Subtotal (Less State Director's Assessment)				
TOTAL DIRECT COSTS				
INDIRECT COSTS @ _____ %**				
TOTAL				

Approved:_____ _____

(Signature of authorized representative of institution) (Signature of SBDC Director)

SOURCES OF DIRECT MATCH (Acct. #) TOTAL $ AMOUNTS

SOURCES OF IN-KIND MATCH ( ) TOTAL $ AMOUNTS

* Please list equipment purchased and dollar amounts on each quarterly invoice.

** For subcenters with a negotiated overhead rate based on "MTDC" (modified total direct costs): Please indicate any subcategories included in "other" (e.g. tuition or computer center charges) that would get subtracted from the overhead base in order to calculate the appropriate overhead match. Please list these costs at the bottom of the invoice and specify dollar amounts for each.

APPENDIX 1-B

(HOST INSTITUTION)
SMALL BUSINESS DEVELOPMENT CENTER **INVOICE #**
SUBCONTRACTOR INVOICE

FROM: MAIL TO: ____ SBDC
(ADDRESS)

ATTN: _____

FEDERAL ID #:	THIS INVOICE IS FOR THE FOLLOWING PERIOD:

DESCRIPTION:		FEDERAL FUNDS CURRENT	FEDERAL FUNDS CONTRACT Y-T-D	MATCHING FUNDS CURRENT	MATCHING FUNDS CONTRACT Y-T-D
Salaries and Wages:					
	Director		0		0
	Other Professional		0		0
	Counselors		0		0
Subtotal Salaries and Wages		0	0	0	0
Fringe Benefits			0		0
Supplies			0		0
Contractural			0		0
Consultant Fees			0		0
Equipment			0		0
Travel			0		0
Other			0		0
Indirect Charges			0		0
In-Kind			0		0
Total Amount Claimed		0	0	0	0
PLEASE PAY THIS AMT:		**0**			

"I CERTIFY THAT ALL EXPENDITURES (OR PAYMENT REQUESTED) ARE FOR APPROPRIATE PURPOSES AND IN ACCORDANCE WITH THE AGREEMENTS SET FORTH IN THE AWARD.

Signature _____ Date: _____

Name and Title: Institutional Representative

Signature _____ Date: _____

Name and Title: Director Small Business Development Center

APPENDIX 2-A

SUBCONTRACT
(account #)

THIS SUBCONTRACT effective as of (date), by and between the HOST SBDC Institution (hereinafter referred to as the "UNIVERSITY") and Subrecipient (hereinafter referred to as the "SUBCONTRACTOR")

WITNESSETH:

WHEREAS, the Small Business Administration has awarded a Cooperative Agreement to the HOST SBDC Institution, No. X for the purpose of conducting a project entitled "(State) Small Business Development Centers;"

WHEREAS, the work under Cooperative Agreement No. X requires the cooperation of the SUBCONTRACTOR in the project; and

WHEREAS, the SUBCONTRACTOR has the skill and facilities necessary to undertake such a project;

NOW, THEREFORE, the parties intending to be legally bound agree as follows:

ARTICLE I. SCOPE OF WORK

The SUBCONTRACTOR agrees to provide its best efforts in performing the work set forth herein and within the estimates provided below.

The SUBCONTRACTOR will assist the UNIVERSITY in the conduct of the project entitled "(State) Small Business Development Centers," in accordance with the UNIVERSITY'S proposal dated X, incorporated herein by reference. The SUBCONTRACTOR shall provide X hours of consulting assistance to X clients. The SUBCONTRACTOR shall deliver X training events with X attendees

The SUBCONTRACTOR agrees to operate in accordance with the policies and procedures promulgated by the UNIVERSITY.

The SUBCONTRACTOR agrees to participate in such evaluations of the Small Business Development Center program as may be required by the UNIVERSITY.

ARTICLE II. PERIOD OF PERFORMANCE

The period of performance of this subcontract shall begin on DATE and shall not extend beyond DATE unless such period is extended in writing by both parties.

ARTICLE III. PROGRAM CONTROL

It is understood that the final approval of the work performed by the SUBCONTRACTOR shall be vested in the UNIVERSITY'S State Director's Office for the (State) Small Business Development Centers program. The project director for the UNIVERSITY is X.

ARTICLE IV. KEY PERSONNEL

The work and services covered by this subcontract shall be conducted under the direction of X. Change in the person responsible for direction of the work and services must be approved, in advance, by the UNIVERSITY.

ARTICLE V. INSPECTION

Designated representatives of the UNIVERSITY shall have the right to inspect and review progress of work performed pursuant to this subcontract. Access shall be granted to facilities used or otherwise associated with the work performed and to all relevant data, test results, computations or analyses used or generated under this subcontract when such inspections are conducted. All such inspections shall be conducted in such a manner as to not unduly delay the progress of work and the UNIVERSITY shall give the SUBCONTRACTOR reasonable notice prior to conducting any such inspections. Inspection by the UNIVERSITY shall not relieve the SUBCONTRACTOR of the responsibility to fully and formally report the details of the work set forth herein.

ARTICLE VI. REPORTS

The SUBCONTRACTOR shall submit reports providing required information to the UNIVERSITY within 10 days of the end of the first six months of the budget period; the final report shall be submitted within 30 days from the end of the contract period. The UNIVERSITY shall provide the format for these reports. In addition, milestone data must be collected and entered into the MIS, as appropriate, for each client that receives assistance from the SUBCONTRACTOR. This data is to be entered into the MIS and submitted in accordance with instructions provided by the UNIVERSITY.

ARTICLE VII. PURCHASE ORDER

Within 30 days of the signing of the subcontract, the UNIVERSITY will forward the SUBCONTRACTOR a Purchase Order. The terms and conditions set forth in this subcontract shall supersede the Purchase Order Terms and Conditions. (Optional – this is an example of a HOST SBDC institution requirement)

ARTICLE VIII. COMPENSATION

A. This subcontract is a cost-reimbursable contract in the amount of $X. Costs incurred should be in accordance with the attached budget(s), Attachment A.

B. The UNIVERSITY agrees to reimburse the SUBCONTRACTOR for the performance of work under Article I above, in an amount not to exceed $X.

C. Invoices prepared by object class category and signed by an authorized university official, shall be submitted within 30 days of the end of each quarter. They shall reflect all costs expended during the quarter. The invoice for the final quarter shall be submitted no later than 45 days after the close of the contract period. THE UNIVERSITY CANNOT GUARANTEE PAYMENT OF INVOICES RECEIVED MORE THAN 45 DAYS AFTER THE CLOSE OF THE CONTRACT PERIOD.

D. Payment will be made in accordance with the invoices submitted. At the time of invoice submission, please attach the indirect cost rate schedule, also on a quarterly basis. Invoices are to be sent to the State Director's Office, (ADDRESS).

E. All invoices and financial reports are subject to audit by either the government or the UNIVERSITY.

F. Please note the list of unallowable uses of funds cited in the Cooperative Agreement, page X Section X.

G. Should the government (SBA or other official agencies) or the UNIVERSITY determine certain SUBCONTRACTOR costs to be unallowable as a result of a final audit, the SUBCONTRACTOR will be liable for those costs.

ARTICLE IX. COST SHARING

The SUBCONTRACTOR is required to match one hundred percent of the SBA funds received under this subcontract. The matching funds must be from non-federal sources. Invoices submitted to the UNIVERSITY should reflect the matching dollars as they are expended. The direct match must equal at least 50% of the total SBA funding. Total matching dollars by source should be listed at the bottom of each quarterly invoice. Ledger account numbers for each source of matching funds (as well as the SBA account) should be listed next to the source. Additional documentation, including letters of in-kind support should be maintained by the SUBCONTRACTOR.

ARTICLE X. CHANGES

Changes to this contract may be made by written amendment agreed upon by both parties. Please see page X, section X of the Cooperative Agreement for details on expenses or actions requiring prior approval.

ARTICLE XI. TERMINATION

Either party shall have the right to terminate this agreement upon 30 days written notice to the other party. In event of termination, the UNIVERSITY shall honor all allowable incurred costs and non-cancelable obligations. The costs should be submitted within 45 days of the termination date.

ARTICLE XII. PROGRAM INCOME

Program income generated by this program must be maintained in an account separate from all other funds. Program income must be expended in accordance with SBDC program requirements and applicable OMB Circulars. A final program income report must be submitted within 30 days of the end of the contract period in the format provided by SBA, Form 2113. The program income report must be signed by an authorized representative of the SUBCONTRACTOR.

ARTICLE XIII. SUBCONTRACTS

The SUBCONTRACTOR agrees that no second tier subcontract will be executed without prior written approval of the UNIVERSITY.

ARTICLE XIV. DEBARMENT AND SUSPENSION

By execution of this contract, SUBCONTRACTOR certifies that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal Department or Agency. Should SUBCONTRACTOR at any time during the performance of this contract become debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in Federal awards, it will immediately notify the UNIVERSITY.

ARTICLE XV. AUDIT COORDINATION

SUBCONTRACTOR hereby certifies that to the best of its knowledge it is in full compliance with OMB Circular A-133. SUBCONTRACTOR agrees to notify UNIVERSITY at any time during the period of this subcontract if it is no longer in compliance with Circular A-133. SUBCONTRACTOR further agrees to provide UNIVERSITY with copies of any audit reports issued as a result of Circular A-133 which cite the instances of non-compliance with Federal laws and regulations which bear directly on performance or administration of this agreement. In cases of such non-compliance, SUBCONTRACTOR will provide UNIVERSITY with copies of responses to such non-compliance, including plans for corrective action. All records and reports prepared in response to the requirements of A-133, shall be retained by SUBCONTRACTOR for three (3) years from the date of final payment for the subcontract, and will be made available during that period for inspection by representatives of UNIVERSITY, its independent auditors or the Federal government during normal business hours.

ARTICLE XVI. GENERAL PROVISIONS

A. The SUBCONTRACTOR shall comply with all other applicable Standard and Special Provisions of the Cooperative Agreement which is attached (refer to Attachment B, pp. X-X and the Milestone Chart (Attachment C)). For the purpose of this subcontract the provisions are modified wherein the term "SUBCONTRACTOR" is substituted for the term "RECIPIENT" and the term "UNIVERSITY" is substituted for the term "SMALL BUSINESS ADMINISTRATION" and "GRANTS MANAGEMENT SPECIALIST."

The SUBCONTRACTOR shall comply will all applicable guidelines in the (YEAR) Program Announcement.

Any reference or use of the UNIVERSITY's name in any publication, website, or advertising, must have prior written approval from the UNIVERSITY (point of contact at the University is (Name), phone (#)).

Each party shall be responsible for its negligent acts or omissions and the negligent acts or omissions of its employees, officers, or directors to the extent allowable by law.

The University has prepared the (STATE) Small Business Development Centers Policies and Procedures Manual for use by subcontractors. The SUBCONTRACTOR must operate in accordance with the (State) Small Business Development Centers Policies and Procedures Manual in performing the scope of work described in this subcontract.

At least 10 days before the SBDC submits proposals for additional funding to any agency, private or public, the SUBCONTRACTOR agrees to provide the State Director a copy of the scope of work and budget for the proposal.

IN WITNESS WHEREOF, the parties have caused this contract to be executed as of the date first written above by their duly authorized representatives.

HOST SBDC INSTITUTION

_____

NAME OF SUBCONTRACTOR

_____

APPENDIX 2-B

(HOST SBDC INSTITUTION NAME)

SUBRECIPIENT AGREEMENT NO. (1*) UNDER

U.S. SMALL BUSINESS ADMINISTRATION

COOPERATIVE AGREEMENT NO.

CFDA 59.037

SUBRECIPIENT:	(2*)
ADDRESS:	(3a*) (3b*)
AGREEMENT FOR:	Small Business Development Service Center
AGREEMENT PERIOD:	(Effective DATES)
ESTIMATED COST:	$ (4*)
ALLOTTED:	$ (5*)

CONTENTS

Page

PREAMBLE

SCHEDULE

ARTICLE 1. STATEMENT OF WORK

ARTICLE 2. KEY PERSONNEL

ARTICLE 3. DELIVERY OR PERFORMANCE SCHEDULE

ARTICLE 4. ALLOWABLE COSTS AND PAYMENT

ARTICLE 5. PROGRAM INCOME

ARTICLE 6. COMPENSATION FOR PERSONAL SERVICES

ARTICLE 7. CAPITAL EQUIPMENT

ARTICLE 8. SUPPLIES AND OTHER EXPENDABLE PROPERTY

ARTICLE 9. PUBLICATIONS AND COPYRIGHTS

ARTICLE 10. PATENTS AND INVENTIONS

ARTICLE 11. TRAVEL

ARTICLE 12. TECHNICAL REPORTS

ARTICLE 13. CLIENT CONTROL RECORDS

ARTICLE 14. CONSULTANTS

ARTICLE 15. CONFIDENTIALITY

ARTICLE 16. AUDIT

ARTICLE 17. COMPLIANCE WITH REGULATIONS AND LAWS

ARTICLE 18. DEBARMENT, SUSPENSION, REPAYMENT OF FEDERAL DEBT

ARTICLE 19. LOBBYING

ARTICLE 20. FRANCHISE TAX CERTIFICATION

ARTICLE 21. DISCLAIMER OF WARRANTIES AND LIMITATIONS OF LIABILITY

ARTICLE 22. LIABILITY

ARTICLE 23. ASSIGNMENT

ARTICLE 24. TERMINATION OF AGREEMENT

SIGNATURE PAGE

ATTACHMENTS:

EXHIBIT A. STATEMENT OF WORK

EXHIBIT B. BUDGET

EXHIBIT C. GUIDE TO INVOICE PREPARATION

EXHIBIT D. REQUEST FOR COUNSELING FORM (ADPT. SBA FORM 641)

EXHIBIT E. SBDC MONTHLY ACTIVITY REPORT

EXHIBIT F. CONSULTANT PRODUCTIVITY REPORT

EXHIBIT G. MONTHLY MANAGEMENT REPORT

EXHIBIT H. SBDC COUNSELING REPORT

EXHIBIT I. INFORMATION TRANSFER REPORT (SBA FORM 2226)

EXHIBIT J SBDC BUSINESS DEVELOPMENT ANNUAL COUNSELING REPORT

EXHIBIT K. NATIONAL TRAINING PARTICIPANT EVALUATION QUESTIONNAIRE (SBA FORM 20)

EXHIBIT L. MONTHLY TRAINING SUMMARY

EXHIBIT M. BUSINESS DEVELOPMENT TRAINING REPORT

EXHIBIT N. HOST SBDC SBDC MANAGEMENT TRAINING REPORT (ADPT. SBA FORM 888)

EXHIBIT O.	TECHNICAL REPORTING REQUIREMENTS
EXHIBIT P	SUCCESS STORY FORMAT
EXHIBIT Q	CONFLICT OF INTEREST - STANDARDS OF CONDUCT
EXHIBIT R.	SMALL BUSINESS DEVELOPMENT CENTER FY20XX PROGRAM ANNOUNCEMENT for FY20XX

PREAMBLE

Whereas the (HOST SBDC INSTITUTION NAME) (hereinafter referred to as "HOST SBDC") has received a cooperative agreement from the U.S. Small Business Administration (hereinafter referred to as "SBA") for the project entitled "_____ Small Business Development Center" and whereas (2*) (hereinafter referred to as "Subrecipient") agrees to deliver services and materials required by the prime agreement and set forth below in the terms of this subrecipient agreement;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

SCHEDULE

ARTICLE 1. STATEMENT OF WORK

Subrecipient will deliver to HOST SBDC goods and services as specified in the proposal to SBA dated _____, which is incorporated into this agreement by this reference, and a summary of which is attached as EXHIBIT A and made a part of this agreement for all purposes.

ARTICLE 2. KEY PERSONNEL

All work under this agreement shall be performed under the general guidance and technical direction of (Lead/Region Director name and title) and Principal Investigator for the HOST SBDC cooperative agreement. Such guidance and direction shall include the direction and the monitoring of program activities and financial affairs of the SBDC network so as to deliver effective services to the small business community, comply with applicable laws, regulations, OMB Circulars and Executive Orders, and implement the cooperative agreement. Any increase in the cost of the agreement, change in the approved budget, or extension of the period of performance shall be made only by HOST SBDC in writing.

ARTICLE 3. DELIVERY OR PERFORMANCE SCHEDULE

(a) Subrecipient shall furnish and deliver the supplies and perform the services required by Article 1, Statement of Work.

(b) Subrecipient shall furnish in a timely manner and appropriate format technical reports as outlined in Articles 12 and 13, below.

(c) This agreement covers the _____ twelve-month budget period of a thirty-six-month project period. The budget period for this agreement runs from (_____). Any continuation of this project is conditioned upon the availability of funds, satisfactory performance by the recipient for the previous twelve (12) month budget period, and upon the SBA's determination that continued funding would be in the best interest of the Government. Any extension of the expiration date of the budget period requires the prior approval of HOST SBDC and SBA.

ARTICLE 4. ALLOWABLE COSTS AND PAYMENT

(a) The estimated cost of performance of this agreement is $(4*) based on the Statement of Work as outlined in Article 1. HOST SBDC shall not be obligated to reimburse Subrecipient for costs incurred in excess of the total estimated cost as set forth in this subparagraph (a).

(b) A budget, which is agreed to by the parties of this agreement, is hereby attached as EXHIBIT B and made a part of this agreement for all purposes.

(c) The accounting for funds awarded under this agreement shall be in accordance with generally accepted accounting principles consistently applied to federal funds awarded under this agreement, matching funds as required by this agreement, as well as program income funds or any other SBDC designated funds. Specifically, Subrecipient's financial management system should provide

(1) accurate, current, and complete disclosure of the financial activity of this agreement;

(2) records that identify the source and application of funds received from HOST SBDC;

(3) effective control over and accountability for all funds, property and other assets;

(4) a comparison of actual outlays with budgeted agreement amounts;

(5) consistency with applicable federal cost principles; and

(6) accounting records supported by source documentation.

Obligations, commitments, encumbrances or expenditures must be made within the budget period. Cost transfers affecting any SBDC designated funds must be accomplished within 90 days of the original expenditure occurance. Cost transfers made beyond 90 days must be approved in writing by the HOST SBDC.

(d) Allowable Costs

(1) For the purpose of determining the amounts payable to Subrecipient under this agreement, the allowability of costs shall be determined in accordance with

(i) the appropriate OMB circulars as follows:

ENTITY	ADMINISTRATIVE AND	COST PRINCIPLES
Universities	A-110*, A-133	A-21
State & Local Government	13 CFR, Part 143; A-133	A-87
Other Non-Profit Org.	A-110* A-133	A-122
For Profit Organizations	A-110*	FAR SECTION 31.0

* or any regulation promulgated to supplement or replace it.

(ii) SBA regulations, 13 CFR, Part 130, including referenced sections 5(b)(6) and 21 of the Small Business Act as amended, 15 U.S.C. 634(b)(6) and 648, and all public laws referenced therein,
(iii) SBA Program Announcement and (iv) the terms of this agreement.

(2) Any budget revision, including transfers between cost categories, cumulatively shall not exceed ten percent of the total budget. The prior written approval of HOST SBDC is required for any transfers that exceed this ten percent limit. To do this, Subrecipient must submit a letter of justification to HOST SBDC. This letter shall be sent to: _____, HOST SBDC Small Business Development Center, (address).

(3) Any proposed expenditure expected to exceed $5,000, which will be awarded sole source, requires prior SBA approval. Subrecipient must submit a letter of request to HOST SBDC, which will procure the necessary approvals.

(4) The recipient is required to provide funds in the amount of $ (6*) as matching funds. These matching funds must come from other institutional sources such as city, state, or private sector funding. Federal funds other than CDBG (Community Development Block Grants from HUD) funds received directly from the government or as flow-through funds from a state or other agency may not be used to satisfy matching requirements.

(5) Direct costs, matching or federal, and in-kind expenses cannot duplicate costs included in the negotiated indirect cost rate applied and included in total costs for this project.

(6) Usage rates for items such as equipment or office furniture that are used for in-kind match cannot exceed the original acquisition cost of the item when cummulatively added across multiple years of reporting.

(7) Unexpended funds from one budget period may not be transferred to the following budget period without the prior approval of HOST SBDC and SBA.

(8) Payment

(a) Subrecipient shall, following commencement of work, submit two copies of an invoice on a monthly basis in the form hereinafter described, to HOST SBDC for payment of costs incurred during the preceding calendar month. Invoices are due by the 20th calendar day of each month. All cost sharing expenses must be reported on invoices submitted regardless of whether or not those dollars constitute overmatch. See EXHIBIT C for a guide to invoice preparation. **Invoices received 45 days after the end of the preceding month will be paid at the discretion of the Executive Director of the SBDC (Principal Investigator).**

(b) In addition to the invoice mentioned in (a) above, Subrecipient shall provide such special fiscal reports as may be requested by HOST SBDC to permit evaluation of the progress of the project.

(c) Payments for performance under this agreement shall be made by HOST SBDC to Subrecipient on a cost-reimbursable basis when billed. Any payments so made shall be made in accordance with the approved budget referred to above and attached as EXHIBIT B. Subrecipient agrees that HOST SBDC may withhold payment of any expenditure that appears questionable, or for which additional information or support is required. Subrecipient further agrees to furnish HOST SBDC such information as may be required to satisfy questions about the expenditure in question.

(d) The final voucher must be received by HOST SBDC within 30 days of the expiration date of this agreement. The final invoice shall be clearly marked as such and shall include the following certification: "Payment of this final invoice shall constitute complete satisfaction of all of the _____'s obligations under this agreement and (2*) releases and discharges the _____ from any and all further claims and obligations upon payment hereof." Upon approval of the final invoice, and upon compliance by Subrecipient with all other provisions of this agreement, HOST SBDC shall make final payment to Subrecipient. **Final Invoices received 60 days after**

the end of the agreement period will be paid at the discretion of the (State/Region) Director of the SBDC (Principal Investigator).

ARTICLE 5. PROGRAM INCOME

(a) Program income is gross income earned by the Subrecipient that is directly generated by a grant-supported activity or earned only as a result of this Cooperative Agreement. It includes, but is not limited to, income from service fees (e.g., fees for training events or specialized services), sale of commodities, and usage or rental fees. Also, fees not actually received by Subrecipient, but which the Subrecipient controls the disposition of, are considered program income. Program income does not include interest earned on advances. Fees collected by other organizations outside the SBDC network through cosponsorship arrangements are not considered program income, unless these funds, or a portion of these funds, are returned to the SBDC. Costs incident to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the grant.

(b) SBDC program recipients are responsible for establishing a separately identifiable program income account to facilitate financial reporting.

(c) Program income shall not be used to match the federal dollars provided or in place of funds already budgeted in the Cooperative Agreement. Program income shall be added to funds committed by the Federal agency and the recipient organization and shall be used to further eligible SBDC program objectives only.

1) Any unused program income may be carried over to subsequent budget periods to be utilized to further program objectives during the project period.

2) All program income must be reported monthly, using the format specified by the HOST SBDC, and will include beginning balances, source and amount of program income received, program income expended during the year and the expense category, and the ending balance. Send monthly reports to: _____, HOST SBDC Small Business Development Center, (address)

3) A narrative description of how program income was used to further eligible program objectives shall be sent to _____ on a quarterly basis.

ARTICLE 6. COMPENSATION FOR PERSONAL SERVICES

Charges for work performed under this agreement by professional staff will be based on the individual staff member's regular compensation for the continuous period, which constitutes the basis of his or her salary. Charges for work performed during all or any portion of such period are allowable at the base salary rate. In no event will charges exceed the proportionate share of the base salary for that period. All activities undertaken to support this project, including teaching classes, are undertaken as a professional obligation requiring no compensation in addition to full-time base salary.

ARTICLE 7. CAPITAL EQUIPMENT

(a) Title to all equipment purchased on this agreement shall vest in Subrecipient upon acquisition, subject to the provisions of 20 U.S.C. 3474 and OMB Circular A-110. However, in the event of contract termination or non-renewal, all equipment purchased with either federal or matching funds will be returned to HOST SBDC, subject to acceptance by HOST SBDC. As equipment becomes obsolete or is in disrepair, Subrecipient shall report the property to HOST SBDC for disposition instructions. Under the provisions of OMB Circular A-110, SBA reserves the right to transfer title of any equipment purchased with federal funds to the Federal Government or to a third party named by them.

(b) Subrecipient's property management standards for equipment acquired with SBA funds shall include all of the following:

(1) Equipment records shall be maintained accurately and shall include the following information.

(i) A description of the equipment.

(ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.

(iii) Source of funds for the equipment, including the award number.

(iv) Whether title vests in Subrecipient or the Federal Government.

(v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.

(vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).

(vii) Location and condition of the equipment and the date the information was reported.

(viii) Unit acquisition cost.

(ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a Subrecipient compensates the Federal awarding agency for its share.

(2) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The Subrecipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

(3) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(4) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(5) Where the Subrecipient is authorized or required to sell the equipment, proper sales procedures shall be established which provide for competition to the extent practicable and result in the highest possible return.

(c) For purposes of this agreement, equipment is defined as tangible, non-expendable personal property having a useful life of more than one year and an acquisition cost, which equals or exceeds the lesser of the capitalization level established by the organization for financial statement purposes, or $5,000. Prior approval from the SBA for the purchase of equipment not listed in the approved budget (EXHIBIT C) is required. To request approval to purchase capital equipment, Subrecipient must submit a letter of request to HOST SBDC, which will in turn make the request to SBA, if required. This letter of request should be addressed to _____, HOST SBDC Small Business Development Center, (address)

ARTICLE 8. SUPPLIES AND OTHER EXPENDABLE PROPERTY

(a) Supplies means all personal property excluding equipment, intangible property, and debt instruments, and inventions of a contractor conceived or first actually reduced to practice in the performance of work under a funding agreement ("subject inventions"), as defined in 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts, and Cooperative Agreements."

(b) Title to supplies and other expendable property shall vest in the Subrecipient upon acquisition. If there is a residual inventory of unused supplies exceeding $250 in total aggregate value upon termination or completion of the project or program Subrecipient shall retain the supplies for use or sell them, but shall in either case, compensate HOST SBDC for the cost of the supplies.

ARTICLE 9. PUBLICATIONS AND COPYRIGHTS

(a) Subrecipient will be free to publish the results of research under this agreement, after providing a copy of the publication to HOST SBDC. Title to and the right to determine the disposition of any copyrightable material, first produced or composed in the performance of this research, shall remain with Subrecipient provided that Subrecipient shall grant to HOST SBDC and to SBA an irrevocable, worldwide, royalty-free, nonexclusive license to reproduce, translate and use any such copyrighted material for its own purposes.

(b) Subrecipient has an obligation to visibly place the SBA logo and the disclaimer as described under (d) of this ARTICLE, on all publications in order to give SBA appropriate recognition. It shall be a material breach of this subrecipient agreement to repeatedly disseminate publications which do not include the disclaimer and the SBA logo.

(c) The SBA/SBDC co-branding logo must be displayed prominently at the front of the Subrecipient's office. The SBA logo must appear on the homepage of the Subrecipient's website, and there must be a direct link on the Subrecipient's homepage to the SBA's website. The following disclaimer will appear on the Subrecipient's web site and all publications in legible, easily readable print:

> *"SBDCs are supported by the U. S. Small Business Administration and extended to the public on a non-discriminatory basis. SBA cannot endorse any products, opinions, or services of the SBDCs affiliated entities."*

(d) Any publications, promotional pieces, websites, information and training materials must also contain the following statement:

> *"The _____ SBDC is a business consulting and training center of the _____ Small Business Development Center Network. The HOST SBDC SBDC Network serves _____."*

The acknowledgment may also include the Subrecipient's other major funding partners. All such materials must be sent to _____, HOST SBDC SBDC, (address), or electronically to _____, for approval prior to printing and/or publication.

(e) The Subrecipient may not use the U.S. Small Business Administration's name or logo for the endorsement of any publications which contain editorial comment. All such publications must include the additional following disclaimer:

"This material is based on work supported by the U.S. Small Business Administration. Any opinions, findings, conclusions or recommendations expressed are those of the author(s) and do not necessarily reflect the views of the SBA."

(f) All publications, letterhead, envelopes, business cards, etc. will use the designated HOST SBDC SBDC Network logo and follow the size, type and coloring previously furnished to Subrecipient.

(g) A brief statement indicating that SBDC programs are nondiscriminatory and available to individuals with disabilities must also be included on all published materials. Further, all notices, promotional items, brochures, publications and media announcements informing the public of events, programs, meetings, seminars, conferences and workshops sponsored or cosponsored by the SBDC must include the following accessibility/accommodations notice:

"Reasonable accommodations for persons with disabilities will be made if requested at least two weeks in advance. Contact (name, address, and phone number of person who will make the arrangements).

ARTICLE 10. PATENTS AND INVENTIONS

Inventions and patents which result from this agreement shall be administered in accordance with Public Law 98-620 and 37 CFR Part 401. Subrecipient represents that its policies require appropriate assignments of inventions, discoveries and improvements from all persons who perform any part of the work under this agreement. Disposition of title to inventions, the filing of patent applications, disposition of patent rights and licensing covering the manufacture, use and sale of products and processes shall be governed by 35 U.S.C. 203 and 37 CFR Part 401. HOST SBDC and the Federal Government shall have a non-exclusive, non-transferable, irrevocable, paid up license to practice or have practiced for or on behalf of the United States any invention made by the Subrecipient hereunder throughout the World. The Subrecipient shall report fully to HOST SBDC and the Federal Government any invention conceived or first actually reduced to practice in the performance of this agreement.

ARTICLE 11. TRAVEL

(a) Costs for transportation, lodging, meals, and incidental expenses incurred by Subrecipient personnel for travel relating to the performance of this agreement shall be considered a reasonable and allowable charge to this agreement to the extent that:

(1) the costs do not exceed charges normally allowed by the Subrecipient in its regular operations based upon the existence of written institutional policy regarding such costs; provided, however, that air travel undertaken by Subrecipient shall be by common carrier at coach or economy rates, and

(2) the principles for such costs established by the Director of the Office of Management and Budget, as set forth in OMB Circular A-21 are observed. In the absence of written institutional policy, the costs may not exceed the rates and amounts established under subchapter 1 of chapter 57 of Title 5, United States Code.

(b) Foreign travel costs are allowable as direct costs only when the travel has received the advance written approval of SBA via HOST SBDC. Such travel approval requests shall include all pertinent information including date(s), destination, purpose, name of traveler(s), and estimate of cost. Each separate foreign trip must be specifically approved. For the purposes of this section, foreign travel is defined as any travel outside the contiguous forty-eight States and Canada. Failure to obtain this approval may result in suspension or termination of funding.

(c) If foreign travel is approved, Subrecipient is subject to and must comply with the provisions of the Fly America Act. The Fly America Act refers to provisions enacted by Section 5 of the International Air Transportation Fair Competitive Practices Act of 1974 (Public Law 93-623, January 3, 1975), 49 USC App. 1517, as amended by Section 21 of the International Air Transportation Competition Act of 1979 (Public Law 96-192, February 15, 1980), 94 Stat. 43. The implementing Federal Travel Regulations are published at 41 CFR Part 301-3.6. The Act requires that Federal travelers and others performing U.S. Government-financed foreign air travel must use U.S. flag carriers, to the extent that service by such carriers is available. With the exception of travel under bilateral agreements permitted pursuant to 49 USC App. S 1517(c) (1982), foreign air carriers may be used only when a U.S. flag air carrier is unavailable, or use of U.S. flag air carrier service will not accomplish the agency's mission. If a foreign air carrier is used for any part of foreign travel, Subrecipient must submit a justification statement to HOST SBDC explaining why service by a U.S. flag carrier is not available, or why it would be necessary to use a foreign air carrier. HOST SBDC will review the justification and will forward the request to SBA.

(d) No funds provided under this agreement shall be used for travel by employees of the U.S. Government.

(e) Domestic travel out of the State of Texas, not justified and approved as part of this agreement, must have prior written approval of SBA through written request to HOST SBDC. Such travel will also be listed and justified in the semi-annual programmatic reports.

ARTICLE 12. TECHNICAL REPORTS

Subrecipient shall submit reports as listed below according to the frequency shown. Subrecipient is required to submit reports electronically to _____**at** _____**.** Only submit additional copies of reports if they are specifically requested by Region management.

Report	**Due Date**
(1)Monthly Activity Report (EXHIBIT E)	10th working day following end of month

(2) Consultant Productivity Report, based on T&E reporting (EXHIBIT F)	10th working day following end of month
(3) Monthly Management Report (EXHIBIT G)	10th working day following end of month
(4) SBDC Counseling Report (EXHIBIT H)	10th working day following end of each quarter
(5) Information Transfer Report (SBA Form 2226) (EXHIBIT I)	10th working day following end of each quarter
(6) SBDC Business Development Annual Counseling Report (EXHIBIT J)	10th working day following end of fiscal year
(7) Semi-Annual SBA/Performance Report (narrative)	15th working day following end of first 6-month period
(8) Annual SBA/Performance Report (narrative)	15th working day following end of contract year

The type, frequency, content, and number of total technical reports required are subject to change, as determined by the Executive Director. Subrecipient will be notified in writing of any such changes and additional reporting requirements will be provided as necessary. See EXHIBIT O for a description of the narrative information required in the semi-annual and annual performance reports. See EXHIBIT P for the required success story format for the semi-annual and annual performance reports. As shown in EXHIBIT P, contact information for the client should be detailed separately from the success story narrative, so that the same story can be 1) submitted to the SBA without disclosing client identity, as well as 2) used for legislative update purposes where client identity is disclosed. When requested by the Region office, Subrecipient will obtain a signed release from any client whose story is chosen to be used for legislative or other purposes.

ARTICLE 13. CLIENT CONTROL RECORDS

Subrecipient shall maintain detailed, complete and accurate control records as follows:

Counseling

Subrecipient shall require each party or individual requesting counseling to complete a "Request for Counseling" form (adapted from SBA Form 641) prior to commencement of any counseling action. Each client file shall contain a signed disclaimer as outlined by the form (EXHIBIT D). Any associated

documentation outlining SBDC requirements and conditions must be reviewed, signed and dated by the client, and maintained in a hard copy form in the client's record.

Subrecipient shall complete an electronic record in WebCATS for each client at the time of the first visit and also document each subsequent counseling session in WebCATS with an electronic case session detail. Case records are to be entered in WebCATS no later than five business days after the counseling session. Per the ASBDC Accreditation Standards, each initial and follow-up case record must contain at least the following information in the following format:

- *A description of what occurred in the session. The description must be sufficient so that someone unfamiliar with the case could read the description(s) and be able to understand what occurred in the session(s) and to continue high quality counseling based upon the description(s).*
- *An analysis of the problem to be solved.*
- *Actions taken to solve the problem identified.*
- *Follow-up actions to be taken prior to the next session by both the client and consultant.*

An engagement letter shall be sent to each client after the initial counseling session documenting key issues discussed and outlining any recommendations to the client and/or actions to be taken by either the client or the consultant. The engagement letter is to be tailored to each individual client's situation and should not be a form letter. Subrecipient is encouraged to send the engagement letter to the client within 5 business days, but in all cases, the letter should be issued no later that 10 business days from the initial counseling session.

To count as counseling activity, an initial session with a client must be substantive and at least **one hour** in length. Followup sessions can be of shorter duration. To count online counseling toward goals, the counseling must be substantive and conform to the same quality standards as one-on-one counseling. Electronic counseling consists of time spent on researching and formulating a response as well as time actually spent online, and may involve several electronic questions and responses. A case record must be completed and attached to a paper copy of the question(s) and response(s) and placed in the client file.

Subrecipient is **strongly encouraged** to regularly communicate with each client in order to provide a progress report on activities undertaken by the Subrecipient on the client's behalf and/or to ask the client if additional assistance is needed. In all cases, Subrecipient is **required** to document a follow-up review or counseling session at least every 90 days, or inactivate the client's case. If Subrecipient determines that a client has impact potential, Subrecipient may keep that client's

file active indefinitely, as long as there is a documented follow-up review or counseling session at least every 90 days. Only those counseling cases performed during the budget period of this agreement are to be applied to milestone accomplishments (see EXHIBIT A, STATEMENT OF WORK, Paragraph 2).

Subrecipient shall cooperate in all efforts to assure the quality and effectiveness of the counseling services being provided. Consulting evaluations will be sent by HOST SBDC to the Subrecipient's clients 60 days after the initial session, and then again at the one year anniversary of the initial session. Evaluations will be returned to HOST SBDC and copies will be provided to Subrecipient. Subrecipient will submit a written memo of explanation to Region management when an evaluation is deemed unsatisfactory by HOST SBDC.

Further, an Impact Survey will be sent to the Subrecipient's clients on an annual basis by HOST SBDC. Subrecipient will undertake all client contact and follow-up activity associated with the Impact Survey each year as directed by Region management. Surveys are to be returned by the client to HOST SBDC in pre-addressed postage-paid envelopes provided by HOST SBDC. In order to maximize positive impact survey responses, Subrecipient will maintain regular contact with all those clients who will be asked to complete an Impact Survey (those clients with five or more hours of consulting time in a given calendar year).

Subrecipient agrees that it will maintain individual files on each counseling case as outlined below in Article 14, including documentation necessary to comply with accreditation standards and to provide a clear audit trail.

Semi-annual and annual performance (technical) narrative reports are due 4/21/05 and 10/21/05, respectively. The requirements are outlined in detail under EXHIBIT O to this agreement.

Training

Subrecipient shall submit a monthly summary of training from WebCATS, (see EXHIBIT L for sample report from WebCATS) listing each workshop offered that month and the number of attendees, as well as a quarterly Business Development Training Report (EXHIBIT M) to report and document summary information regarding SBDC training activity. An SBA Form 888 from WebCATS, Management Training Report (EXHIBIT N), must be completed after each and every training seminar and workshop. Attached to SBA Form 888 must be 1) an attendee sign-in sheet with attendee count clearly shown either on the sign-in sheet or by attaching a seminar re-cap sheet; 2) an agenda or outline of the program; 3) one copy of any promotional materials; and 4) a summary evaluation form including all comments. Reports must be submitted to: HOST SBDC Small Business Development Center, (address)

Report		**Due Date**
1)	Monthly Summary of Training (EXHIBIT L)	10th working day following end of month
2)	Business Development Training Report (EXHIBIT M)	10th working day following end of each quarter
(3)	Management Training Report, SBA Form 888 (EXHIBIT N)	5th working day following workshop/seminar

Each training unit must be evaluated by attendees using the National Training Participant Evaluation Questionnaire, OMB 2245-0075 (EXHIBIT K) or **similar instrument**.

The contractual training goals (Exhibit A, Statement of work, Paragraph 2) may only be satisfied by training events that meet the time, participant, and subject matter requirements. Presently, training is defined by the SBA as an event held for a minimum of one hour, with one or more participants, and focused on a topic directly relevant to entrepreneurs and business owners. Subrecipients are encouraged to schedule and present training events that are both economically viable and resource effective. A pattern of reporting training events with minimum content (1 hour) or fewer than 6 participants will be subject to review by Region management

Training courses with multiple sessions count as **one course** and attendees are to be counted only once. When other SBA resource partners are involved as co-sponsors, the attendees must be equitably divided to avoid multiple counting. To be counted toward milestones, online training must be one hour or more in length and must have both a documented registration and evaluation from attendees; otherwise it is counted as an information transfer.

Subrecipient must maintain an updated list of funding sources and amounts for each source of funds received by the SBDC network (including grants, contracts and contributions). In addition, for each source of funds documentation of the name and phone number of the donor/contractor/grantor, the amount of funding, the intended purpose and any requirements, stipulations or deliverables must be maintained and made available during the biennial examination process.

A copy of any training materials developed by Subrecipient at Subrecipient's expense in electronic and other digital formats shall be provided to the Region management.

Information Transfers

Subrecipient shall track all contact services that are not documented by a case record in WebCATS or included on the Monthly Training Summary. For tracking purposes Subrecipient is required to keep a log of contacts to include date, name, telephone number and type of information transfer as listed on SBA Form 2226 (EXHIBIT I). Subrecipient shall submit SBA Form 2226 on a quarterly basis to _____.

ARTICLE 14. CONSULTANTS

Consultants are required to complete a report of activities, or a case record, each time services are rendered. Case records are to be entered electronically in WebCATS. Consultants should be encouraged to provide a periodic report, in writing, to the client to keep the client informed of all activity undertaken by the consultant on the client's behalf. Files must be maintained for each client, both in electronic and hard copy format. The hard copy file must contain **at a minimum** the signed Request for Counseling form, a copy of the engagement letter, and a copy of the initial case session record, from WebCATS. Hard copies of subsequent case session records do not need to be kept in the file as long as they are easily accessible electronically. Consultants must provide case session detail as outlined in Article 13, Paragraph (b) on each initial and follow-up case record.

ARTICLE 15. CONFIDENTIALITY and CONFLICT OF INTEREST

The _____ Small Business Development Center Network's Conflict of Interest - Standards of Conduct statement, attached as EXHIBIT Q, is incorporated herein by reference.

Signed statements for Subrecipient's incumbent SBDC staff must be returned with this agreement. If vacant SBDC positions exist, Subrecipient must submit a Conflict of Interest - Standards of Conduct Statement, signed by the new SBDC employee, to HOST SBDC within 20 working days of hire.

A signed copy of the Conflict of Interest - Standards of Conduct statement must be on file at Subrecipient's main SBDC office for all employees, consultants, instructors, volunteers and persons with access to SBDC client records, and must be renewed annually.

Any accusation, customer service complaint, grievance or other such negative allegation made against Subreceipient's personnel or any other component of the Subrecipient's SBDC program which comes to the attention of Subrecipient that would unfavorably reflect on the quality, integrity, or reputation of the SBDC program must be immediately and simultaneously reported to the appropriate administrative officer at Subrecipient's HOST SBDC institution and to the _____ SBDC Executive Director. Verbal notification of such allegation must be made to HOST SBDC within five business days, followed within five

additional business days by a written report containing details of the allegation. Results of Subrecipient's review and investigation into such allegation, including any associated documentation, must be reported to HOST SBDC in writing within ten additional business days, along with any recommendations for corrective action.

Any accusation, customer service complaint, grievance or other such negative allegation against Subrecipient's personnel or any other component of Subrecipient's SBDC program which comes to the attention of HOST SBDC that would unfavorably reflect on the quality, integrity or reputation of the SBDC program will be forwarded to Subrecipient for review and investigation. A written report containing details of the investigation and any recommendations for corrective action, if appropriate, must be submitted to HOST SBDC within 20 business days after receipt of the allegation.

Suspected violations of any of the terms of the conflict of interest statement by an SBDC employee must be reported to the _____ (State/Region) Director immediately. The _____, at its discretion, may:

1) **Require Subrecipient to immediately cease incurring costs under this contract related to the employment of the staff member as a condition of the continuation of this agreement, or**

2) **Terminate this contract under Article 25. TERMINATION OF AGREEMENT**

(2*) Authorizing Official's Initials_____
(2*) SBDC Director's Initials _____

ARTICLE 16. AUDIT

(a) The Associate Administrator of the Office of Small Business Development Centers, the Comptroller General of the United States, the _____, or any of their duly authorized representatives shall have access at any reasonable time, after prior notification, to pertinent books, documents, papers and records of Subrecipient and its lower tier subrecipients to make audits, examinations, excerpts and transcripts.

(b) Subrecipient agrees to maintain all financial records, supporting documents and other records pertaining to this agreement for a period of three (3) years from submission of the final invoice or final expenditure report to HOST SBDC, except that records pertaining to audits, appeals, litigation or settlement of claims arising out of the performance of this agreement shall be retained until such audits, appeals, litigations, or claims have been formally resolved.

(c) In the event that SBA, the Comptroller General of the United States, or HOST SBDC determines through audit or some other appropriate means, that expenditures from funds allocated to Subrecipient were not made in compliance with the regulations of SBA or the provisions of this agreement and are therefore unallowable, Subrecipient shall promptly refund

the unallowable amount to HOST SBDC upon demand, or, if final payment has not yet been made, HOST SBDC may reduce future payments by the unallowable amount.

(d) By accepting this subrecipient agreement Subrecipient agrees to comply with the audit requirements of OMB Circular A-133. Subrecipient further agrees to provide HOST SBDC with copies of any independent auditor's reports that present instances of non-compliance with Federal laws and regulations and which bear directly on the performance, or administration of this subrecipient agreement. In cases of such non-compliance, Subrecipient also will provide HOST SBDC copies of responses to auditor's reports and plans for corrective action. Reports of non-compliance, plans for corrective action, and/or questions should be addressed to:

_____

_____
Office of Contracts and Grants
(address)

If the Subrecipient is not subject to OMB Circular A-133, Subrecipient shall have an audit of the program conducted and submitted to HOST SBDC within 90 days of the end of the period of performance as specified in this agreement. This audit will be conducted by an independent certified public accounting firm and shall be conducted in accordance with generally accepted Governmental Audit Standards as issued by the Comptroller General of the United States.

(e) As required under 15 USC 648(k), biennial program and financial examinations of the HOST SBDC SBDC and all network service centers are conducted by SBA's Office of Small Business Development Centers, and therefore extends as a requirement to the Subrecipient. A programmatic accreditation program is currently operated by the Association of Small Business Development Centers as well. Subrecipient positive examination results and/or immediate action to rectify negative findings of either process will be required for renewal of this agreement.

ARTICLE 17. COMPLIANCE WITH REGULATIONS AND LAWS

(a) The Subrecipient shall be responsible for compliance with all requirements and obligations relating to the services required by Article 1, Statement of Work, under local, state or federal law. Such requirements or obligations include, but are not necessarily limited to, minimum wage, overtime compensation, social security, unemployment insurance, income tax and worker's compensation.

(b) This award is subject to the following governing financial, administrative and programmatic terms and conditions, in order of precedence:

(i) 15 USC 648
(ii) 31 USC 6305
(iii) 13 CFR PART 130
(iv) This agreement

(v) Cost Principles as listed under Article 4. of this award
(vi) The applicable SBA Program Announcement (EXHIBIT P)
(vii) SBA Policy Guidelines, including SBA Memoranda and SBA Policy Notices in effect at the time of the award, or that become effective during the term of this agreement.
(viii) SBA Administrative Guidelines, including SBA Standard Operating Procedures, in effect as of the beginning date of the budget period or that become effective during the term of this Cooperative Agreement.

(c) Subrecipient will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin and in all respects shall comply with Executive Order 11246, entitled "Equal Executive Opportunity," as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 CFR, Part 60).

(d) Subrecipient will not discriminate against any employee or applicant for employment because he or she is a disabled veteran or veteran of the Vietnam era, nor discriminate against any employee or applicant for employment because of physical or mental handicap in regard to any position for which he or she is qualified.

(e) Subrecipient will not discriminate against any employee or applicant for employment on the basis of age.

(f) All SBDC services must be rendered on a nondiscriminatory basis, and no individual may be excluded from any program because of race, color, religion, sex, age, disability or national origin. Workshops, seminars and conferences must be held in handicapped accessible locations. Reasonable accommodation will be made, upon request for visually and hearing impaired attendees. SBDCs are required to make modifications and accommodations (which do not fundamentally alter the program or activity or entail undue financial or administrative burdens) to enable otherwise qualified disabled individuals to participate. The SBDC Network must comply with 13 CFR Parts 112,113,117, and 136.

g) Subrecipient agrees to comply with all the requirements of Section 114 of the Clean Air Act as amended (42 U.S.C. 1857, et seq., as amended by P.L. 91-604) and Section 308 of the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq., as amended by 92-500), respectively, relating to inspection, monitoring, entry, reports, and information as well as other requirements specified in Section 114 and Section 308 of the Clean Air and Water Act, respectively, and all regulations and guidelines issued thereunder before the execution of this agreement. No portion of the work required by this agreement will be performed in a facility listed on the Environmental Protection Agency list of Violating Facilities on the date that this agreement was executed unless and until the EPA eliminates the names of such facilities from such listing. Subrecipient will use its best efforts to comply with clean air standards and clean water standards at the facilities and locations where the work of this agreement is performed.

The Freedom of Information Act provides, with some exceptions, that SBA must supply information in its files and records to a person requesting it. This may include SBDC statistical

data. The SBA does not allow the release of client proprietary data or information that would cause competitive harm or constitutes a clearly unwarranted invasion of personal privacy. The _____ is required to seek SBA approval prior to the release of any client information to a third party. Prenotification under Executive Order 12600 may also be required.

Upon receipt of a request for information under the Freedom of Information Act (FOIA) or Texas Public Information Act, Texas Government Code Chapter 552, Subrecipient agrees to immediately and simultaneously notify its HOST SBDC institution and the HOST SBDC Executive Director, Mike Young, or in his absence, Susan Rhodes, Director of Financial Operations.

The Texas Public Information Act stipulates that requests to claim an exception to the release of information must be made to the Attorney General within 10 business days of receipt of the request: Failure to report receipt of such a request on the day it is received may result in the information being deemed public and therefore requiring its release. Such inaction on the part of the Subrecipient that results in the release of client information may place the Subrecipient in violation of the above stated SBA requirements.

ARTICLE 18. DEBARMENT, SUSPENSION, REPAYMENT OF FEDERAL DEBT

(a) Subrecipient certifies, by signing this document, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency. Subrecipient is required to include this provision in any subaward resulting from this award.

(b) Subrecipient certifies, by signing this document, that neither it nor its principals is delinquent on the repayment of any federal debt. Subrecipient is required to include this provision in any subaward resulting from this award.

ARTICLE 19. LOBBYING

(a) Subrecipient certifies, by signing this document, that no federal appropriated funds have been paid or will be paid, by or on behalf of Subrecipient, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, or an employee of Congress in connection with the awarding of any federal contract, the making of any federal grant, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.

(b) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal grant or cooperative agreement, the undersigned shall complete and submit Standard Form - LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions;

(c) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subgrants, contracts under grants and cooperative agreements, and subcontracts) and that all Subrecipients shall certify and disclose accordingly.

ARTICLE 20. FRANCHISE TAX CERTIFICATION

Subrecipient certifies that, upon the effective date of this agreement, either (1) it is not delinquent in payment of State of _____ corporate franchise taxes, or (2) it is not subject to the payment of such taxes. Subrecipient agrees that any false statement with respect to franchise tax status shall be material breach hereof, and HOST SBDC shall be entitled to terminate this agreement upon written notice thereof to Subrecipient.

ARTICLE 21. DISCLAIMER OF WARRANTIES AND LIMITATION OF LIABILITY

NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER NOT SET FORTH IN THIS AGREEMENT INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OR MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO CONFIDENTIAL INFORMATION, INVENTIONS, TECHNOLOGY, MASK WORKS, SOFTWARE, TECHNICAL DATA, OR THAT THE USE OF ANY OF THE FOREGOING WILL NOT INFRINGE ANY PATENT, COPYRIGHT, MASK WORK OR OTHER PROPRIETARY RIGHT. NEITHER PARTY SHALL BE HELD TO ANY LIABILITY WITH RESPECT TO ANY CLAIM ARISING FROM OR ON ACCOUNT OF ANY USE OF ANY OF THE FOREGOING REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT OR TORT, INCLUDING NEGLIGENCE. TO THE EXTENT THAT A PARTY GRANTS A SUBLICENSE OR OTHERWISE TRANSFERS ANY INVENTION, TECHNOLOGY, SOFTWARE, MASK WORK, OR TECHNICAL DATA, THE PARTY HEREBY INDEMNIFIES AND HOLDS HARMLESS THE OTHER PARTY WITH RESPECT TO ANY CLAIM ARISING OUT OF THE SUBLICENSE OR TRANSFER. IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES OF ANY NATURE WHATSOEVER.

ARTICLE 22. LIABILITY

Subrecipient and HOST SBDC mutually agree that each party to this agreement is and will be acting as an independent contractor in the performance of this work, and that each shall be solely responsible for the official acts of its employees or its agents in connection with the performance of this work and will not hold the other party responsible for personal injury, death, property damage or other losses arising out of the official actions of those employees or agents.

ARTICLE 23. ASSIGNMENT

This agreement may not be assigned by either party in whole or in part without the prior mutual consent of both parties or the non-assigning party.

ARTICLE 24. TERMINATION OF AGREEMENT

(a) Awards may be terminated in whole or in part as follows:

(1) By HOST SBDC, if Subrecipient materially fails to comply with the terms and conditions of an award;

(2) By HOST SBDC, with the consent of Subrecipient, in which case the two parties shall agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated;

(3) By HOST SBDC, upon sixty (60) days written notice to Subrecipient;

(4) By the Subrecipient upon sending to HOST SBDC written notification setting forth the reasons for such termination, the effective date, and, in the case of partial termination, the portion to be terminated. However, if HOST SBDC determines in the case of partial termination that the reduced or modified portion of the grant will not accomplish the purposes for which the grant was made, it may terminate the grant in its entirety under either (1), (2), or (3) above.

(b) If a Subrecipient materially fails to comply with the terms and conditions of the award, whether stated in Federal statute, regulation, assurance, application, notice or award, or this agreement, HOST SBDC may take one or more of the following actions, as appropriate in the circumstances.

(1) Temporarily withhold cash payments pending correction of the deficiency by the Subrecipient or more severe enforcement action by SBA.

(2) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.

(3) Wholly or partly suspend or terminate the current award.

(4) Withhold further awards for the project or program.

(5) Take other remedies that may be legally available.

(c) Costs of a Subrecipient resulting from obligations incurred during a suspension or after termination of an award are not allowable unless HOST SBDC expressly authorizes them in the notice of suspension or termination or subsequently. Other Subrecipient costs during suspension or after termination which are necessary and not reasonably avoidable are allowable if (1) and (2) below apply.

(1) The costs result from obligations which were properly incurred by the Subrecipient before the effective date of suspension or termination, are not in anticipation of it, and in the case of a termination, are noncancellable.

(2) The costs would be allowable if the award were not suspended or expired normally at the end of the funding period in which the termination takes effect.

(d) The enforcement remedies identified in this section, including suspension and termination, do not preclude Subrecipient from being subject to debarment and suspension under E.O.s 12549 and 12689 and SBA's implementing regulations.

(e) This agreement is contingent upon the continuation of funding by the U. S. Small Business Administration to the _____ at present levels, and is subject to termination as hereinafter stated, in the event of the discontinuation of SBA funding in whole or in part to the HOST SBDC. In the event that the SBA discontinues funding to the HOST SBDC in whole or in part for this program at anytime prior to or during this agreement period, HOST SBDC shall have the right to terminate this agreement or reduce funding provided herein. In the case of termination exercised under this paragraph, HOST SBDC will provide 45 days written notice to the Subrecipient.

(f) Upon receipt of a termination notice, Subrecipient shall cease the incurrence of costs under this agreement and take action to cancel all outstanding obligations which can be reasonably canceled. Within forty-five days of the effective date of the termination, Subrecipient shall submit a final report to HOST SBDC covering costs incurred up to the date of termination. Subrecipient shall be entitled to reimbursement for all allowable costs incurred, subject to section (c), above, up to the date of termination and for all uncancellable obligations up to the maximum amount set forth in Paragraph A of Article 4.

(g) HOST SBDC, with written notice to the Subrecipient, has the right to request replacement of any Subrecipient SBDC employee. Upon receipt of the written notice from HOST SBDC, Subrecipient has thirty days (30) days to cease the use of federal or matching funds under this agreement for any costs related to the employment of the specified SBDC employee. Cost Sharing (matching) and performance requirements under this agreement will remain the same and must be met, unless otherwise negotiated and provided as a formal modification to this agreement. Subrecipient will be required to provide qualified replacement personnel in order to meet those obligations.

IN WITNESS WHEREOF, the parties hereto have executed this agreement.

FOR THE _____

By _____

Title Director,
Office of Contracts and Grants
_____

Date _____

FOR (2*)

By _____
Typed Name of Authorizing Official/Signature

Title _____

Date _____

Approved as to Form

By_____

Office of the General Counsel
_____ System

EXHIBIT A

Statement of Work

The purpose of the SBDC program is to provide high quality business and economic development assistance to small businesses and prospective small businesses in order to promote growth, expansion, innovation, increased productivity and management improvement.

Definitions

Counseling	Service provided to an individual and/or business that is substantive in nature and requires assistance in the formation, management, financing, and/or operation of a small business enterprise AND is for no less than one hour initially and includes any counseling session thereafter regardless of time. Counseling is one-on-one, in person, on the telephone or electronically and is specific to the client's individual needs and requires a signed Form 641 or an equivalent form that supports SBA's management information database.
Reporting of Clients	A client will be counted once in a fiscal year with reporting to include both the number of sessions and the number of hours spent with the client.
Client	The client is the business if it exists. If the client is a nascent entrepreneur, the client is the individual.
Person-to-Person Counseling	One hour initial person-to-person session with the client on an individual basis. Subsequent sessions must be substantive in nature and should be tracked.
Travel & Prep Time	To allow for reporting of time invested in a client, preparatory time will be tracked separately from counseling time but attributed toward counseling time in data reporting. Travel time will not count toward counseling time but will be tracked separately.
Training	As defined by the SBA, an activity or event to actively deliver a structured program of knowledge, information, or experience on a business-related subject to one or more people lasting 1 hour or more. However, a pattern of reporting training events with minimum content (1 hour) or fewer than 6 participants will be subject to review by Region management
Counting Multiple	Training courses with multiple sessions count as one

Sessions Training	course.
Reporting Training with Multiple SBA Sponsors	Sponsors must equitably divide the attendees so as to eliminate multiple counting. In situations where there are breakout sessions given individually by resource partners (SDBC, SCORE, Women Business Centers, U.S. Export Assistance Centers), each resource partner can count the respective breakout session attendees with the requirement that there is a sign-in sheet, an evaluation, and an SBA Form 888 prepared.
Information Transfer	Form 2226 elements including: phone calls; info packets disseminated; newsletters; website visitors requesting information; clients using onsite library materials; clients attending presentations that do not qualify as training events; and e-mail counseling not meeting the counseling definition.
Online Counseling	Must conform to the same quality standards as person-to-person counseling: substantive in nature concerning the formation, management, financing, and/or operation of a small business enterprise AND is one hour in length or more if it is an initial session with a client. The recipient of the counseling must acknowledge through an appropriate "electronic substitute" the requirements imposed by accepting counseling assistance from the SBA or its resource partner.
Counting Online Counseling	Must be counted as an information transfer unless the electronic counseling meets the same standards as person-to-person counseling and there is a signed SBA Form 641 or an equivalent form that supports SBA's management information database.
Online Training	Must be one hour or more per session with both a client registration and an evaluation. If under 60 minutes, it is considered an information transfer.

Entrepreneurial Services:
On a non-fee-basis, statutorily required services for the HOST SBDC SBDC Network applicable to all individual service centers to furnishing one-on-one confidential counseling to current and prospective small business owners include:

i. working with individuals to increase awareness of basic credit practices and credit requirements;
ii. working with individuals to develop business plans, financial packages, credit applications, and contract proposals;
iii. working with the HOST SBDC to develop and provide informational tools for use in working with individuals on pre-business startup planning, existing business expansion, and export planning; and
iv. working with individuals referred by the SBA district offices and SBA participating lenders.

In addition, localized needs may include the following services and should be addressed on a center basis with the HOST SBDC (State/Region) Office

- Working with displaced manufacturing workers interested in starting their own business and/or working closely with the U.S. Department of Commerce, National Institute of Standards and Technology's Manufacturing Extension Partnership (MEP) Program to assist small manufacturers.

- Providing programs focused on existing businesses to assist them with growth and expansion.

- Developing, facilitating and/or leveraging appropriate distance learning programs and/or initiatives that can be utilized by small business clients, and where appropriate, other SBA resource partners.

- Using the SBDC Clearinghouse, also known as the SBDC Net, to assist in serving the needs of the small business community.

- Assisting people with disabilities to consider entrepreneurial opportunities and to succeed in business.

- Collecting, categorizing and making available, in consultation with the SBA, turn-key training programs representing the best-of-the-best from SBDCs. Such a training program would be in an electronic format and include a course syllabus, lecture presentation, faculty notes, outreach materials and an accompanying student text or information summary.

- Developing economic recovery programs and plans which include counseling of small business owners on ways and means to rehabilitate an on-going business through a re-directed approach to marketing and financial management. Subjects for counseling may include advice in seeking alternative markets for products or repackaging of outstanding loans or other financial obligations and credit counseling for the reprogramming of debt. Training may also be offered to the small business owners which will introduce them to the new methods of doing business such as in e-commerce, etc.

- Encourage SBDCs to increase the use of the internet to expand outreach and improve the delivery of services (e.g., online counseling, more distance learning, and creation of expert tools for small businesses.

- All SBDCs are encouraged to participate in and actively support community development in their areas of geographic responsibility. This includes coordination and involvement with all levels of government – federal, state and local in support of initiatives that strengthen the infrastructure of the community, and ensure stability and equality in community based economic growth and development. The private sector, including business and professional organizations, should be invited to become stakeholders in the development of the community. SBDCs should act as catalysts to initiate development projects beneficial to the community as a whole.

- Promoting SBA's SBIR and STTR Programs.
- Providing basic information needed by small business concerns interested in procurement opportunities in the Government arena (federal, state and local), including the use of electronic commerce and electronic marketing.

- Providing financial packaging and other financial counseling assistance

- Informing small business contractors about SBA's Surety Bond Guarantee Program.

Additional services are outlined in the SBDC Program Announcement, EXHIBIT R ,pages 11-14, and are incorporated herein by reference

To accomplish these objectives, SBDCs must leverage Federal dollars and resources with those of the state, the educational community, and the private sector to: (a) strengthen the small business community; (b) contribute to the economic growth of the communities served; (c) make assistance available to more businesses than is now possible with present Federal resources; and (d) create a broader based delivery system to the small business community.

SBDC Operations

1. Subrecipient will be responsible for counseling, providing technical advice, guidance, seminars, workshops, and serving as a business and economic information source for small businesses in surrounding counties, as follows:

   Service Area by County

   (7*)

The (2*) Small Business Development Center (SBDC) will be expected to develop and coordinate resources needed or currently existing which are advantageous to small businesses in the assigned area. Coordination should include, but not be limited to, Chambers of Commerce, SCORE, ACE, and trade associations.

The Director of the SBDC at (2*) will develop and promote a public awareness of the SBDC to potential users of the Center's services.

The Small Business Development Center 20XX Program Announcement for FY20XX or CY20XX is incorporated herein by reference (EXHIBIT P). Definitions/Guidelines found in Attachment A and B apply to this agreement, and will be followed.

2. HOST SBDC SBDC Network Team Goals have been established for the number of counseling clients and training attendee to be seen during this program year, as well as for economic outcomes for each center. To meet the team goals, the SBDC at (2*) will produce the following outputs and outcomes:

a.	Counseling clients:	(8a*)
b.	Training attendees:	(8b*)
c.	New Jobs:	(8c*)
d.	Jobs Retained:	(8d*)
e.	New Business Starts	(8e*)
f.	Business Expansions:	(8f*)
g.	New Capitol:	(8g*)

3. The SBDC at (2*) will be headed by a Director who will not only have the technical background and experience needed to assist small businesses in an analysis of their problems and needs, but also the ability to communicate effectively with and organize the various individuals and groups of clients and providers of services in a way to provide maximum assistance for small businesses in the assigned counties. Because the position of Director is essential to the successful operation of the program, any vacancy in this position must be posted within fourteen days of the position's opening. Interviewing must take place within forty-five days of the opening, and the position must be filled within ninety days. Subrecipient institution must initiate an adequate criminal history background investigation of the chosen applicant, which must be satisfactorily passed. The appointment of the Director of the SBDC at (2*)

will be approved jointly by Subrecipient's appropriate authorizing official and by the (State/Region) Director of the HOST SBDC SBDC.

4. The Director of the SBDC at (2*) shall be responsible for selecting and training counselors with appropriate technical experience and communication skills to provide counseling services to the typical range of small business clients. The Director is specifically charged with the responsibility of providing a consistently high quality of counseling services to small business clients. The Director is responsible for assigning all requests for counseling to best meet the needs of the client.

5. The SBDC at (2*) will have the following minimum personnel requirements: one full-time and one part-time person available for counseling clients and one part-time support staff person.

6. A counseling case may be presented by an individual or more than one individual in one-on-one sessions or through electronic communication, including telephone contact or computer email. In addition to electronic data entry requirements in WebCATS and as outlined in ARTICLE 13, all counseling must be documented on HOST SBDC adapted SBA Form 641, 641A and adapted SBA Form 1062, and must be kept on file (electronic files acceptable as outlined in ARTICLE 14) at the SBDC. This case documentation must be available for inspection by SBA officials, the ASBDC accreditation team, and the HOST SBDC SBDC State/Region Director and/or his designee.

7. The Director of the SBDC at (2*) shall be responsible for developing, maintaining, and updating a library of meaningful resources that are readily available to either the Center's counselors and/or small business clients. The library system must be designed to permit rapid and accurate retrieval of information needed to deal with the range of problems confronting small business.

8. The Director of the SBDC at (2*) shall be responsible for planning, developing, scheduling, and implementing a series of educational seminars or workshops which are appropriate to the specific needs of small business clients in the assigned area. The Director is specifically charged with the responsibility of providing consistently high quality seminars and workshops. A reasonable fee may be charged for these workshops. Reporting requirements and requirements for training to count toward SBA milestones are outlined in ARTICLE 13. Training records must be kept on file for inspection by SBA officials, the ASBDC accreditation team, and the SBDC Executive Director and/or his designee. SBA Forms 888 will be sent to the HOST SBDC SBDC Region Office where they will be kept on file for review by the SBDC Project Officer and other SBA, ASBDC, and HOST SBDC SBDC officials as requested.

9. The SBDC at (2*) will be housed in offices suitable for confidential business consulting & training provided by (2*). The Director and counselors will be supported by adequate administrative assistance. The facilities will be identified by

appropriate signs as: "Small Business Development Center at (2*)." An SBA/SBDC partnership logo must be prominently displayed at the front of each office. Adequate parking will be available for clients of the center. The Director and staff will be available to counsel and advise small businesses either at on-site locations or at the offices of the Center. The SBDC shall provide services as close as possible to small businesses by using satellite locations, traveling counselors, or electronic capabilities, when appropriate. The SBDC at (2*) will have a telephone listing in the white pages of the telephone directory as the Small Business Development Center at (2*). Any yellow pages designation shall be listed under "Business Consultants." In all instances, personnel answering phones shall use the name of the Center. The Center will maintain a telephone line for voice communications and separate lines for fax, modem, and Internet connections. The Center must provide in-office Internet access for staff use, and all staff must have e-mail addresses.

10. The SBDC must notify the Executive Director in writing within 10 days when changes occur in contact information such as physical addresses for the center, telephone numbers, fax numbers, e-mail and web-site addresses.

11. All identification, including, but not limited to, correspondence, communication, signs, advertising, telephone directory number, etc., shall specify the operation by the name of Small Business Development Center at (2*). All such material shall display an approved logo common to the HOST SBDC Network as specified by HOST SBDC.

12. To assure assistance to the small business community in its service area to the extent possible, the SBDC at (2*) will be opened to the public throughout the year during the normal business hours of the recipient organization, with national holidays or state holidays, as applicable, excluded. Exceptions must have the approval from the State/Region Director of the HOST SBDCSBDC. The approved holiday schedule for FY20XXis as follows:

THANKSGIVING	November X, 2XXX
CHRISTMAS/NEW YEAR	December X, 2XXX
MARTIN LUTHER KING, JR. DAY	January X, 2XXX
MEMORIAL DAY	May X, 2XXX
INDEPENDENCE DAY	July X, 2XXX
LABOR DAY	September X, 2XXX

Where HOST SBDC facilities are closed on other than approved holidays, SBDCs will make appropriate arrangements to ensure that service is available to their clients. A telephone answering system will advise of the closure.

13. The SBDC Director, the SBDC professional staff, and administrative staff as appropriate, shall attend all HOST SBDC SBDC region staff meetings and training meetings as a condition of maintaining subrecipient status.

14. The SBDC Director shall attend all HOST SBDC SBDC Director meetings as a condition of maintaining subrecipient status, as well as the state SBDC meeting and the national ASBDC conference.

15. The SBDC shall maintain public files on each SBDC employee who provides consulting services to clients. These files will be available during normal business hours for clients and prospective clients to review, and must be kept current at all times, with changes reflected within 10 working days of occurrence. Each file should contain at a minimum a current abbreviated resume, disclosure of any financial, operational, or other interest in any business within the SBDC's service area, any outside employment, and any other information which would assist clients in the decision to participate in SBDC counseling. Notwithstanding the foregoing, the SBDC shall not disclose employee information deemed confidential and excepted from disclosure under applicable provisions of the Federal Privacy Act and the Texas Public Information Act and regulations issued there under.

16. The SBA prohibits SBDCs from engaging directly in the practice of law. This includes but is not limited to using SBDC counselors to provide individual legal advice, represent a client in litigation or any legal proceeding, or otherwise practice law as defined by the State of Texas. SBDC counselors who are qualified by experience and training to discuss legal issues may do so in a general way, but they must not engage in an attorney-client relationship and must make appropriate disclosures and disclaimers to that effect. SBDCs may offer training courses on business law issues, provided that legal topics are presented by individuals qualified by experience and training to address such topics. In furtherance of their education al mission, SBDCs may negotiate arrangements with law schools to offer clients access to supervised student legal clinics that are approved by the state attorney licensing entity. The SBDC must make appropriate disclosures and disclaimers to that effect.

17. The SBDC must have a disaster operating plan, made in coordination with its HOST SBDC institution and the HOST SBDC Region Office to ensure delivery of service to small businesses. This plan must be kept on file and available for review by SBA officials. Plans should be reviewed annually by the center director and updated as needed.

18. The SBDC is required to provide information transfer services to SBDC contacts as outlined under ARTICLE 13. Information Transfer is defined as any contact stage of answering questions, referrals and use of resources for the provision of information that is considered neither counseling nor training. Counseling and training of less than one hour, whether in person or on-line, fall within the information transfer category. The contact data, including date, contact name, telephone number and type of information transfer as outlined on SBA Form 2226, will be collected and recorded

by the Subrecipient. Summarized information will be reported **quarterly** to the HOST SBDC SBDC Region Office on SBA Form 2226 as required for inclusion on consolidated Region reports to the SBA.

19. The SDBC Director shall be responsible for reading and understanding the FY2004 ASBDC Accreditation Standards and for maintaining a current self-study guide based on those standards. Further, the Director shall be responsible for compliance with all administrative, operational and quality requirements currently in place or implemented by HOST SBDC during the twelve-month performance period of this agreement to assure HOST SBDC SBDC Network adherence to accreditation standards.

20. The SBDC Director shall be responsible for developing, maintaining and updating a website for the Center that is separate from the HOST SBDC SBDC Network site, but which will be linked to the Network site. All co-branding and disclaimer requirements spelled out in Article 9 of this agreement will apply to the web site.

EXHIBIT B

(2*) SBDC

BUDGET FY 2005

CATEGORIES	SBA	CASH MATCH	IN-KIND/ INDIRECT	TOTAL
PERSONNEL				
FRINGE BENEFITS				
TRAVEL				
EQUIPMENT*				
SUPPLIES**				
CONTRACTUAL				
CONSULTANTS				
OTHER				
TOTAL DIRECT COSTS				
INDIRECT COSTS				
TOTAL BUDGET				

APPENDIX 2 -C

(STATE OR REGION) SMALL BUSINESS DEVELOPMENT CENTER
SUBCONTRACT

This Subcontract, entered into on _____by and between the _____ a state university within _____ (hereinafter called the "**UNIVERSITY**"), and _____ an institution of higher education with offices at (Address), hereinafter called the "**SUBCONTRACTOR**", and constituting a Subcontract under a Cooperative Agreement _____, including subsequent revisions, between the UNIVERSITY and the U.S. Small Business Administration, hereinafter called "**PRIME AGREEMENT**", which is under the direction of _____ (hereinafter called PI) which, in concert with an agreement between the _____, provides for the operation of the _____Small Business Development Center.

WITNESSETH THAT:

The **SUBCONTRACTOR** agrees to furnish and deliver the services set forth in this Subcontract for the consideration stated herein.

ARTICLE I. STATEMENT OF WORK

A. General Requirements

1. The **SUBCONTRACTOR** agrees to provide the necessary personnel, equipment, facilities and supplies to perform the services specified in Section B of ARTICLE I, titled "STATEMENT OF WORK".

2. All work performed under this Subcontract must be satisfactory to and accepted by the PI.

3. The **SUBCONTRACTOR** is solely responsible for the performance of services specified in Section B of ARTICLE I, and all work specified in all written amendments formally executed by the parties hereto.

4. The PI may be contacted at the following address:
   (NAME), State Director
   _____Small Business Development Center
   (ADDRESS and PHONE)
   (HOST INSTITUTION)

5. All questions regarding the terms and conditions of this Subcontract, including changes in the STATEMENT OF WORK, should be addressed to the PI and to:

   _____ Grant & Contract Administrator
   Office of Grant and Contract Administration
   (ADDRESS and PHONE)

B. Detailed Statement of Work

1. General Statement of Purpose

   a. This STATEMENT OF WORK delineates the service obligations of the **SUBCONTRACTOR** under its Subcontract with the **UNIVERSITY** in accordance with the **UNIVERSITY'S** obligation to manage and operate the _____Small Business Development Center (XSBDC).

   b. The **SUBCONTRACTOR** shall operate and manage a Regional Office of the XSBDC (hereinafter referred to as the "Regional XSBDC").

   c. The **SUBCONTRACTOR** shall provide the following general services including one-to-one counseling on a non-fee basis furnished to current and prospective small business owners:

      1. Assistance to small businesses in solving problems concerning operations, business planning, personnel administration, marketing, sales, merchandising, financing, accounting, and business strategy development.
      2. Training courses and conferences addressing frequently encountered business problems.
      3. Access to information specialists to assist in providing information searches and referrals to small business.
      4. A comprehensive library that contains current information and statistical data needed by small businesses.
      5. Information concerning federal, state and local regulations that affect small business and advice on compliance procedures.
      6. Assistance in the transfer of technology and research from existing sources to small business.
      7. An effort shall be made to provide assistance to SBA special emphasis groups such as veterans, women, minorities and handicapped persons.

d. In addition, XSBDC Regional Centers will provide the following three specialized services:

   1. The assessment of the business skills of appropriate clients to determine existing capability and to recommend needed training.
   2. Assistance to appropriate clients in developing export potential as a part of their overall business plan and referrals to the International Trade program when necessary.
   3. Referrals to the Financial Analyst in the instance of clients seeking non-conventional financing.

e. Counseling assistance shall be provided by the **SUBCONTRACTOR** at no cost to the client.

f. The **SUBCONTRACTOR** shall provide counseling services to small businesses within the geographic boundaries defined in Appendix C, "Service Area".

g. The **SUBCONTRACTOR** shall undertake a program of outreach and public relations activities which is adequate to generate a caseload which is consistent with the "Deliverable Items" set forth in subsection 2 below.

h. The **SUBCONTRACTOR** shall develop a working relationship with other public and private technical assistance providers for purposes of resource and referral. The **SUBCONTRACTOR** is encouraged to establish a working relationship with the Service Corps of Retired Executives (SCORE).

i. The **SUBCONTRACTOR** shall determine the ability of each potential counseling client to procure services from private service providers. If the client is, in the opinion of the Director of the Regional XSBDC, capable of paying for such services, the **SUBCONTRACTOR** shall notify the client of that determination and shall advise the client of his/her ineligibility for XSBDC services. In addition, the **SUBCONTRACTOR** shall provide said client with a list of qualified private consultants.

2. Deliverable Items

The **SUBCONTRACTOR** shall provide the following services (SBA definitions apply to all terms):

a. Counseling: The **SUBCONTRACTOR** shall provide approximately hours of counseling services to clients including contact, preparation and travel time.

b. Training: The **SUBCONTRACTOR** shall sponsor or co-sponsor a total of training programs with approximately attendees.

c. Sponsorship/Co-sponsorship: Sponsorship or co-sponsorship requires the involvement of not less than ten (10) hours of professional staff time in planning and/or instructing in connection with the program and/or the expenditure of not less than $____ in support of the program. A combination of staff-time at $XX/hour and support funding totaling not less than $XXX.00 is acceptable for determining co-sponsorship.

d. Cancellations: A cancellation policy for training programs shall be stated on brochures, as well as a handicapped accessibility statement.

C. Time of Performance

The services required of the **SUBCONTRACTOR** shall commence on _____ and shall be completed no later than _____.

ARTICLE II. ALLOWABLE COSTS AND PAYMENT

A. General

1. The cash budget for the performance of this Subcontract is $XXX,XXX.

2. For the purpose of determining the amounts payable to the **SUBCONTRACTOR** under this Subcontract, the allowability of costs shall be determined in accordance with (i) the terms and conditions of the **PRIME AGREEMENT**, and (ii) the terms and conditions of this Subcontract. In the event of any inconsistency or conflict between (i) and (ii), (i) shall prevail.

   a. Direct Costs allowed under this Subcontract are categorized in the Budget, Appendix A.

   b. The amount of the **SUBCONTRACTOR'S** deferred indirect cost shall serve as the required in-kind contribution. The **SUBCONTRACTOR** is required to furnish at least $ _____ as the in-direct contribution. The amount of

indirect costs deferred by **SUBCONTRACTOR** shall be reported at the time when the **SUBCONTRACTOR** submits its financial report and invoice to the **UNIVERSITY** for payment.

3. This budget may be changed in accordance with the provisions of the **PRIME AGREEMENT**. Budget change requests must be directed to the PI and must be approved by the **UNIVERSITY**. At least 30 days advance notice is required to effect a budget change.

4. The **UNIVERSITY** reserves the right to recapture funds which are determined to be surplus at a point no earlier than fourteen days after the last working day of the eighth program month, but not later than thirty days before the expiration of the annual contract. The **UNIVERSITY** will advise the **SUBCONTRACTOR** of its intent to recapture funds fifteen days prior to the date of the proposed recapture and will provide the **SUBCONTRACTOR** with five days during which it may indicate, in writing, reasons why the surplus funds should not be recaptured. In the event of a dispute with respect to recaptured funds, the contractual provision with respect to disputes will be invoked.

5. Costs requiring prior approval from the State Office are as follows:

   a. Out of state travel costs not approved as part of the original budget.
   b. Cost for general purpose equipment not approved as part of the original budget.
   c. Creation of new line item expenditures not approved as part of the original budget or as required by applicable cost principles cited in A21 OMB Common Rule and A133.
   d. Personnel costs not approved as part of the original budget or changes in percent of effort by staff as approved in the original budget.
   e. Any budget transfers between cost categories when cumulative amounts of transfers exceed or are expected to exceed ten percent.

B. <u>Payment Procedures</u>

1. All payments under this Subcontract shall be made monthly upon the **SUBCONTRACTOR** submitting its invoice to the University. Accompanying requests for payment will be XSBDC Forms 600 and 700.

   This financial data is used in preparation of the quarterly reports required by SBA as detailed in the **PRIME AGREEMENT**.

2. Payments for services provided under this Subcontract shall be made by the **UNIVERSITY** to the **SUBCONTRACTOR** on a cost reimbursable basis. Requests for payment should be sent to:

   _____, State Director
   _____ Small Business Development Center
   (Address and Phone)

3. Each request for payment will be accompanied by a breakdown of program income revenue and expenditures for the period. Request for reimbursement shall be done, at a minimum, quarterly.

4. A listing of all equipment purchased from grant and program income will accompany the final request for payment.

5. A list of all staff, students and faculty paid under this agreement shall be submitted with the request for final payment.

6. Each permanent XSBDC staff member will sign a statement indicating the percentage of time expended on the program at the end of the contract period.

7. A list of all private consultants paid during the contract year and amount of compensation will be submitted with the final request for payment as well as acopy of invoices paid.

8. Program income form (SBA form 2113) will be submitted with final request for reimbursement.

C. Performance Schedule

1. Payments to the **SUBCONTRACTOR** may be suspended by the **UNIVERSITY** if the **SUBCONTRACTOR** fails, in the opinion of the PI, to make reasonable progress toward the achievement of the schedule of deliverable items set forth in Appendix B or because of administrative deficiencies.

2. The Management Information System

   a. All work provided to meet the counseling deliverables of this Subcontract shall be reported on revised XSBDCN 1062 forms, either manually or electronically, provided by the University.

b. Revised XSBDCN 1062 forms are to be filled out immediately following each counseling session.

c. Revised XSBDCN 1062 forms must be completed no later than the Tuesday following the week in which the work was completed.

d. Failure to deliver timely information within 10 working days following the Tuesday deadline established above, may result in a suspension of payment to the **SUBCONTRACTOR** under this Subcontract, at the discretion of the PI until such time that the delays in reporting are corrected to the satisfaction of the PI.

e. XSBDC client files shall not remain open more than 120 days without a documented follow-up review or counseling session, as required under cooperative agreement _____. For XSBDC internal procedures in handling in-depth cases without activity in 30 days, refer to Section 4.2 below.

3. Reporting of Training Deliverables

a. All work provided to meet the training deliverables of this Subcontract shall be reported on SBA Form 888 revised and delivered to the **PI** within 10 working days following the training program with appropriate backup materials as agreed by the Operations Council. Training materials not received after 10 days without written explanation will be rejected.

b. Failure to deliver SBA Form 888 to the **PI** within ten (10) days following the completion of the training program may result in a suspension of payment to the **SUBCONTRACTOR** under this Subcontract at the discretion of the **PI**. Payments will resume at the time when delays in the reporting of training programs have been corrected to the satisfaction of the PI.

4. Quality Control

a. The State Office will send out all client evaluation forms accompanied by a self-addressed stamped envelope requiring that forms be completed and returned to the State Office. The following procedures will initiate the evaluation form:

1. Continuous counseling cases inactive for 60 days.

2. Continuous counseling clients who receive 30 hours or more in counseling assistance during the fiscal year.

Centers should make clear that once a client's case is closed this will not prohibit them from seeking counseling assistance in the future.

b. At each XSBDCN sponsored or co-sponsored training session participants will be required to complete XSBDCN Form 850 (Training Evaluation Form).

5. Quarterly Reports

a. The **SUBCONTRACTOR** will submit quarterly reports to the **UNIVERSITY** no later than 30 days following the end of the quarter. Each report should include the number of long and short term clients assisted during the quarter, a description of coordinating activities with SBA and other state and federal programs, a description of outreach efforts, at least two examples of successful results from assistance provided, copies of any publications or news clippings produced, and financial impact of loans secured and jobs created and retained. The format followed will be that outlined in the proposal announcement on pages D2, D3, and Appendix G.

b. The **SUBCONTRACTOR** shall submit a narrative of program accomplishments and significant achievements for the year, and other information agreed to by the Operations Council within 45 days after the end of the contract period.

ARTICLE III. ADMINISTRATIVE PROVISIONS

A. Termination of the Subcontract

1. This Subcontract may be terminated by either party upon thirty (30) days written notice to the other party sent registered mail, return receipt requested. In the event of such termination, the **SUBCONTRACTOR** shall, no later than thirty (30) days after said termination, deliver to the **PI** all reports, documentation, data, and materials of every kind and nature which are related to the delivery of counseling and training services. Termination will not be invoked by either party without prior efforts to resolve disagreements through the disputes clause in Paragraph I below.

2. In the event that the University of _____ at Amherst shall cease to receive funding from either the Executive Office of Economic Affairs or the U.S. Small Business Administration, and other federal and/or state sources of funding cannot be secured, the University of _____ at Amherst shall have the right to terminate this agreement by notice in writing to Clark

University prior to the effective date of such termination. The notice shall be forwarded by certified mail, postage paid, return receipt requested.

B. Assignment of this Subcontract

This Subcontract may not be assigned in whole or in part without the prior written consent of the **UNIVERSITY**.

The **SUBCONTRACTOR** may, however, engage consultants for the purpose of providing management, technical, or training assistance without prior written consent of the **UNIVERSITY** provided that:

1. The cost of said services does not exceed $5,000 in aggregate.

2. A written agreement must be executed between the **SUBCONTRACTOR** and the consultant which specifies the services provided and the cost of those services.

C. Standard Operating Procedures

The **UNIVERSITY** has prepared Operating Memoranda, _____, revised _____, for the use of subcontractors under this program. The **SUBCONTRACTOR** shall be responsible for being aware of the contents of the Operating Memoranda and will be guided by the Operating Memoranda in carrying out the subcontract. The **SUBCONTRACTOR** will respect the need for uniformity among the Regional Small Business Development.

Centers, and will prepare reports in accordance with these memoranda. Changes to these Operating Memoranda will be accomplished under unanimous consent of the XSBDC Operations Council during the term of the Subcontract.

D. Advisory Committee

It is advised that the **SUBCONTRACTOR** form and maintain an Advisory Committee, the majority of which will be small business owners or managers in the geographic region serviced by the **SUBCONTRACTOR**. The Advisory Committee shall include a representative of the _____ Office of Business Development. The Advisory Committee should be representative of the diverse interests within the defined service area. The Advisory Committee shall meet regularly and shall consist of no fewer than five (5) members.

E. Coordination with the _____ Office of Business Development

The activities of the Regional XSBDC shall be coordinated with and shall not duplicate the services of the _____ Office of Business Development. The Regional XSBDC Director shall maintain liaison with the Office's regional staff in the interest of assuring close coordination of services.

F. Written Procedures for Personnel Actions and Procurement

The **SUBCONTRACTOR** shall maintain written procedures for recruiting and hiring personnel and for the procurement of goods and services. These procedures must be consistent with the regulations and statutes incorporated by reference in this Subcontract. Further, the **PI** must concur in the appointment of any new regional XSBDC Director.

G. Title to Equipment

At the termination of this Subcontract or the prime agreement, the **UNIVERSITY** will request title to vest in its **SUBCONTRACTOR** or the **UNIVERSITY** as appropriate. In the event of termination under Article III A the equipment acquired by the **SUBCONTRACTOR** will be returned to the **UNIVERSITY**. In the event of termination of the prime award, the **UNIVERSITY** will dispose of equipment in a manner consistent with the prime award and state rules and regulations.

H. Disputes

In the event of a dispute over delivery of service, payment for service, or any other matter the following procedure will be followed by the **SUBCONTRACTOR**:

1. The **SUBCONTRACTOR** will notify the **UNIVERSITY** of its disagreement in writing, certified mail, return receipt requested.

2. The **UNIVERSITY** will respond to the **SUBCONTRACTOR** in writing within ten days of the receipt of the notification of dispute.

3. A meeting between the two parties will be called within 15 working days of the receipt of the response by the **SUBCONTRACTOR**.

4. If the dispute is not settled at the meeting of the parties, then an Arbitration Board shall be established. This Arbitration Board shall consist of the _____of the _____ or his agent, the

District Director of the U.S. Small Business Administration or his agent, a representative of the _____ or his agent, a representative named by the **SUBCONTRACTOR** and an individual appointed by mutual agreement of the **SUBCONTRACTOR** and the PI.

5. The Arbitration Board shall hear arguments from both parties. A vote shall be taken by the Arbitration Board to settle the dispute and that vote shall be binding upon both parties. In no event, however, may a decision of the Arbitration Board be inconsistent with the provisions of this Subcontract and the **PRIME AGREEMENT**.

I. Access to Records

The books of account, files and other records of the **SUBCONTRACTOR** which are applicable to the Subcontract shall at all times be available for inspection, review, and audit by the **UNIVERSITY** and its representatives to determine the proper application and use of all funds prior to or for the account or benefit of the **SUBCONTRACTOR**; in addition, the **SUBCONTRACTOR** shall provide such special reports as requested by the **UNIVERSITY** to permit evaluation of progress of the Center.

J. Hours of Operation

The **SUBCONTRACTOR** shall operate on a 40 hour week basis or during normal business hours of the HOST SBDC institution throughout the calendar year. The State Office shall be advised of closures of more than one day and or variations from the closures enumerated in the proposal.

K. Hiring or Terminating Permanent Staff

The State Office shall be provided advance notice in writing of any hiring or terminating of permanent staff.

L. Conflict of Interest

All resources will be informed of the conflict of interest policy issued and adopted by the _____on _____.

ARTICLE IV. SPECIAL PROVISIONS

A. Indemnification

To the full extent allowed by law, each party hereto agrees to be responsible and to assume liability for its own wrongful or negligent acts or omissions, or those of its officers, agents or employees in performance under this Agreement.

B. Ineligible Expenditures

The **SUBCONTRACTOR** assumes sole responsibility for reimbursement and will reimburse the **UNIVERSITY** a sum of money equivalent to the amount of any expenditures deemed to be ineligible under the **PRIME AGREEMENT** by the U. S. Small Business Administration or its agent through audit exception or some other appropriate means.

C. Affirmative Action

The **SUBCONTRACTOR** will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex or age. The **SUBCONTRACTOR** will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, national origin, sex or age. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

D. Equal Employment Opportunity

No person in the United States, shall on the grounds of race, creed, color, national origin, sex, physical handicap or age be excluded from participation in, or be denied the proceeds of, or be subject to discrimination in the performance of this Subcontract. The **SUBCONTRACTOR** will comply with the requirements concerning discrimination and compliance information set forth in the regulations promulgated by the **UNIVERSITY** pursuant to the Civil Rights Act of 1964, and will furnish the **UNIVERSITY** with such assurances as may be required by those regulations to be included in applications for grant funds. In the event that the **SUBCONTRACTOR** signs any Subcontract which would be covered by Executive Order 10925 (March 6, 1961) or Executive Order 11114 (June 22, 1963), the **SUBCONTRACTOR** shall include the equal employment opportunity clause specified in Section 301 of Executive Order 10925, as amended.

E. Drug-Free Workplace Compliance

SUBCONTRACTOR certifies that it complies with the Drug-Free Workplace Act of 1988 (45 CFR part 76, Subpart F). **SUBCONTRACTOR** agrees to make a good faith effort to continue to maintain a drug-free workplace and will notify **UNIVERSITY** in writing when any sponsor notifications are required.

F. Certification on Covered Transactions by Federal Agencies

SUBCONTRACTOR certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from any covered transaction by any federal agency (45 CFR Part 76 and Executive Order 12549). **SUBCONTRACTOR** will notify **UNIVERSITY** within thirty (30) days of any change of that status.

G. Certification of Federal Debt

SUBCONTRACTOR certifies that neither it nor its principals are delinquent on any federal debt. Examples of federal debt include delinquent taxes, audit disallowances in which **SUBCONTRACTOR** has received a "Notice of Grants Cost Disallowance" which has not been repaid or resolved and is not currently under "appeal", guaranteed or direct student loans, FHA loans, business loans, or other miscellaneous administrative debts. **SUBCONTRACTOR** will notify **UNIVERSITY** within thirty (30) days of any change of that status.

H. Compliance with Audit Requirements

SUBCONTRACTOR certifies that it will comply with all audit requirements and other regulations required by OMB Common Rule A110 and A21 or FAR clauses as applicable. If OMB A21 and A110 do not apply to **SUBCONTRACTOR**, then the applicable OMB regulations will replace and supersede these regulations.

I. Acknowledgment of the _____(HOST INSTITUTION)

The **SUBCONTRACTOR**, in addition to including a prominently displayed acknowledgement of support by SBA in newsletters, training materials and reports as well as displaying the SBA/SBDC logo, shall include the following statement in all brochures, factsheets, press releases, and advertisements:

> "*The _____ Small Business Development Centers Network is a partnership of the U.S. Small Business Administration and the Department of Business and Technology through the _____ under cooperative agreement _____. The XSBDC is a resource of SBA's Business*

Development Service Network. For further information regarding SBA, State or XSBDC programs, please contact the XSBDC at _____.

J. Publication Requirements

In compliance with Section 12, page 12 of 15 of the **PRIME AGREEMENT**, the following statement must be displayed on any publication resulting from this project.

> "*This Cooperative Agreement is partially funded by U.S. Small Business Administration. SBA's funding is not an endorsement of any products, opinions, or services. All SBA funded programs are extended to the public on a nondiscriminatory basis and available to individuals with disabilities."*

Further, the subcontractor must include a brief statement indicating that SBDC programs are nondiscriminatory and available to individuals with disabilities.

K. Incorporated Documents

The following documents are incorporated by reference and shall be binding upon the **SUBCONTRACTOR** and the **SUBCONTRACTOR** hereby agrees to comply with the same.

1. "Notice of Award", Cooperative Agreement Number _____. Prime Agreement dated _____. (Appendix D)

2. Title II, P.L. 96-302 as amended by P.L. 98-395, 8/21/84, as amended by P.L. 101-909 and subsequent revisions. (Appendix E)

3. Department of Business and Technology Agreement dated October 1, 2004. (Appendix F)

4. _____ Year Program Announcement from SBA. (Appendix G)

5. Small Business Development Center, Operating Memoranda, dated _____. (Appendix H)

6. Conflict of Interest Policy. (Appendix I)

7. 13 CFR, Part 130, SBDC Federal Regulations, 60 Fed. Reg., 31054 dated 6/13/95. (Appendix J)

8. Program Income Form, SBA Form 2113. (Appendix K)

L. The **SUBCONTRACTOR** is expected to conform to SBA policy notice 6000-681 effective January 7, 1998 regarding prominent display of the SBA/SBDC partnership logo in the front of the office.

ARTICLE V. INCORPORATION OF APPLICABLE PROVISIONS OF PRIME AGREEMENT

A. All applicable provisions contained in the **PRIME AGREEMENT** between the **UNIVERSITY** and the U.S. Small Business Administration shall be binding upon the **SUBCONTRACTOR**, and **SUBCONTRACTOR** hereby agrees to comply with same. A copy of the **PRIME AGREEMENT** is attached to the Subcontract as Appendix E and made a part hereof for all purposes. In the event of a conflict or discrepancy between the terms, conditions and covenants of the **PRIME AGREEMENT** and this Subcontract, such conflict or discrepancy shall be resolved in favor of the **PRIME AGREEMENT**.

B. All obligations for payment by the **UNIVERSITY** under this are contingent upon funding to the **UNIVERSITY** as called for in the **PRIME AGREEMENT**.

IN WITNESS WHEREOF, the parties hereto have executed this Subcontract as of the day and year first above written.

THE (HOST INSTITUTION)

By _____

SUBCONTRACTOR

Instructions to **SUBCONTRACTOR**:
If a corporation, affix corporate seal.

By _____

_____
(Typed Name)

_____
(Title)

To be executed by the individual authorized to legally bind the **SUBCONTRACTOR**.

APPENDIX A

BUDGET

Personnel

- Permanent Staff
- Faculty Associates
- Graduate Students/Work Study

Fringe Benefits

Consultants

Travel

Equipment Purchases
Supplies

Other Operating Expenses

- Administrative Expenses
- Advertising
- Maintenance
- Postage
- Rental of Space
- Telephone

Total Cash Budget Amount

Inkind Contribution

Total Project Cost

APPENDIX B

Performance Schedule

	Approximate Counseling Cases	Approximate Counseling Hours	Training Sessions	Attendees
October				
November				
December				
January				
February				
March				
April				
May				
June				
July				
August				
September				
TOTAL				

APPENDIX C

The **SUBCONTRACTOR** shall provide counseling services to small businesses within the following geographic boundaries:

APPENDIX 3

INDIRECT COST RATE AGREEMENT

INSTITUTION: DATE:

College of XXXXX
Anywhere, State

The rates approved in this agreement are for use on grants and cooperative agreements relating to the Small Business Development Center Program, U. S. Small Business Administration, only. They do not apply to any other federal grants, contracts, or agreements.

SECTION I: FACILITIES AND ADMINISTRATIVE COST RATES

APPLICABLE TYPE	EFFECTIVE PERIOD	RATE (%)	LOCATIONS	TO
PRED.	XX/XX/2XXX – XX/XX/2XXX	24.0	ALL	SBDC Program

BASE:
Modified total direct costs, including all salaries and wages, fringe benefits, materials and supplies, services, travel. Equipment, capital expenditures, rental costs, and all subcontract in excess of $25,000 shall be *excluded* from modified total direct costs.

SECTION II: SPECIAL REMARKS

DEFINITION OF EQUIPMENT
Equipment is defined as tangible nonexpendable personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit.

TREATMENT OF FRINGE BENEFITS:

Fringe benefits are specifically identified to each employee and are charged individually as direct costs. The directly claimed fringe benefits are listed in the Special Remarks Section of this Agreement.

TREATMENT OF PAID ABSENCES:

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these paid absences are not made.

FRINGE BENEFITS:
FICA

Retirement
Unemployment Insurance
Health Insurance
Dental Insurance

OMB CIRCULAR A-21 RATE NEGOTIATION WITH COGNIZANT AGENCY
If the College negotiates a Circular A-21 indirect cost rate with a Cognizant Agency, that agreement will supercede this agreement. The new rate will apply to the SBDC Program as soon as it becomes effective.

USE BY OTHER FEDERAL AGENCIES
The rates in this Agreement apply only to grants and cooperative agreements relating to the Small Business Development Center Program, U.S. Small Business Administration.

BY THE INSTITUTION:	BY THE AGENCY:
_____	U.S. Small Business Administration
(INSTITUTION)	(AGENCY)
_____	_____
(SIGNATURE)	(SIGNATURE)
_____	_____
(NAME)	(NAME and PHONE NUMBER)
	Project Officer
_____	_____
(TITLE)	(TITLE)
_____	_____
(DATE)	(DATE)

APPENDIX 4

On-Site SBDC Center Review Worksheet

Center:_____ **Grant Period Covered:**_____

Date of Review:_____ **Name of Reviewer:**_____

Name and Title of Center Employees Interviewed: **Months Reviewed:**

_____

_____

_____

	Federal Funds	***Match Funds***
Accounts Reviewed:		

1. Invoices **(insert ✓if OK)**

a) Monthly amounts match institutions ledger summary		
b) Year-end totals match cumulative amounts on final		
c) Line item totals are within 10% re-budgeting allowance or re-budget request is on file and approved		

Exceptions Noted: _____

2. Time and Effort Reporting

(a) All employees sign a T&E report or timesheet?		
(b) Correlation between effort recorded and the salary charged?		

(c) Employee & supervisor signed the T&E reports? _____ _____

	Federal Funds	*Match* Funds
	(insert ✓if OK)	
(d) Contains a certification to correctness?	_____	_____
(e) Leave reports are reconciled to institutional records?	_____	_____
(f) Reference to the SBA project, either by account number or title?	_____	_____

Exceptions Noted: _____

3. Review of expenditure documents

a) Expenditures comply with OMB Cost Circulars Section J. of A-21	_____	_____
b) Clear descriptions and benefit	_____	_____
c) Cost splits reasonable	_____	_____
d) Mileage logs include purpose of trip	_____	_____
e) Budget classifications correct	_____	_____
f) Expenditures approved by center director	_____	_____
g) Expenditures within proper grant period	_____	_____

Exceptions Noted: _____

4. **Review of misc. administrative functions**	**YES** (insert ✓as appropriate)	**NO**
a) Fringe Benefits - institutional supporting documentation available?	_____	_____
b) Long distance records are retained in dept. and reconciled to institutional records?	_____	_____

5. **In-Kind Expenditures**		
a) Furniture / equipment – fully depreciated?	_____	_____
b) Time and effort reflected on time sheets?	_____	_____
and tie back to salary documentation?	_____	_____
c) Duplication of costs included in IDC pools? (if applicatble)	_____	_____
d) Other In-kind documentation acceptable? (auditable detail?)	_____	_____

Exceptions Noted: _____

6. **Program Income**	**YES** (insert ✓as appropriate)	**NO**
a) Separate account established?	_____	_____
b) All program income returned?	_____	_____
c) Ledger totals for expenses and balances match Prog. Income as reported to XX SBDC?	_____	_____
d) Reconciliation process in place to ensure income totals receipts and that all deposits are received?	_____	_____

Exceptions Noted: _____

7. Property Management	**YES** **(insert ✓as appropriate)**	**NO**
(a) Equipment purchased listed in budget or letter of approval on file?	_____	_____
(b) Reviewed property inventory listing?	_____	_____
(c) Spot check of inventory to actual ok?	_____	_____
(d) Computers (high-risk, non-capital assets) inventoried?	_____	_____

Exceptions Noted: _____

8. Indirect Costs (F&A Costs)

(a) Recent Indirect Cost proposal available for review?	_____	_____
(b) Duplication of direct costs in F&A costs?	_____	_____

9. Review of Written Institutional Policies – Adequacy and Adherence

a) Compensation	_____	_____
(b) Purchasing	_____	_____
(c) Cash Handling	_____	_____
(d) Travel	_____	_____
(e) Property Management	_____	_____

Notes: _____

APPENDIX 5

SUMMARY OF FINDINGS
SBA Financial Examinations of SBDCs
(List not exhaustive)

Match

a. In-kind match used as cash match
b. Match funds from other federal agencies
c. Program income used as match
d. Costs that were part of indirect cost used as match – double counted
e. No support for the match transactions
f. Unallowable indirect taken on centers (lifetime limit $25,000 per center)
g. Unreasonable price on in-kind
h. Inadequate documentation of in-kind contributions
i. Assets used for non SBDC entities used as match (½ SBDC, ½ non SBDC)
j. Budgeted amount reported as match – instead of actual
k. Match reported for one center reported for a second center
l. Expenditure of SBA funds used as match
m. Use of a university research group not under the SBDC as match
n. Center reported as in-kind match items the lead center reimbursed in cash to center
o. SBDC was reimbursed for expenditure but did not reduce reported match expense
p. Same equipment reported as match several years in a row
q. Expenditures made by service center reported as lead center match
r. Expenditures used as match by other fed program and by the SBDC program
s. Expenditures reported as match by the *lead* center were for a center that did not use SBA forms, did not answer the phone as SBDC, did not have SBDC signage, and the counselor did not consider himself an SBDC employee
t. Employee time on non-SBDC project/activity counted as SBDC
u. Unable to document use of employee time charged to the SBDC program
v. Draw-down for the same expenditures two years in a row.
w. Out of period expenditures counted as match.

Program Income

a. Program income not reported
b. Program income underreported
c. Program income used as match
d. Program income not put into SBDC account
e. Program income used to pay bonuses
f. Program income accounts closed at the end of the year, funds no longer available to the SBDC
g. Inability to document balance of program income account from one year to the next, i.e. balance carried over
h. Program income sources and uses not reported
i. Controls over center program income lacking
j. Lack of documentation
k. Not all program income considered program income by SBDC

l. Program income not obtained when the center closed
m. Failure to obtain interest on program income
n. Deficit in program income account to be recovered in future years
o. Mixing of program income with other federal programs

Financial Reporting

a. Indirect costs understated
b. In-kind understated, cash match overstated
c. Not all program income reported
d. Program income sources and uses not reported
e. Late reporting
f. Required forms not attached to the SF 269

Indirect Costs

a. Recovery by the host was greater than the 20% allowed
b. Indirect cost calculated by lead center on $25,000 subrecipient center after first $25,000 reimbursed to center
c. Not all indirect cost reported as indirect costs
d. Indirect charged without an indirect cost agreement
e. Indirect cost used as cash match
f. Equipment included in indirect cost calculations
g. Wrong rate used in the indirect cost calculation (old rate, on campus versus off campus rate)
h. Cost already included as indirect such as space usage also reported as in-kind match
i. Indirect cost reported in excess of the amount approved in the Notice of Award

Other Federal Programs

a. Short on cash match
b. Use of SBDC employees on other federal programs without allocating salaries or the receipt of program income
c. Use of employees of other federal programs to deliver SBDC programs
d. Reporting the results of other federal programs as SBDC results

Financial Management

a. Inadequate service center monitoring
b. Inadequate budget monitoring, e.g. meeting cash match requirements

APPENDIX 6

(HOST INSTITUTION NAME) On-Site Center Review
Subrecipient Award under U. S. Small Business Administration Cooperative Agreement

(HOST INSTITUTION NAME) Subrecipient No. _____

_____(Center Name) Small Business Development Center

Recipient Institution: _____College

Period Covered : FY___ and FY____ Through XX/XX/XXXX

Date of On-Site Review: _____

Purpose of Center On-Site Review

The (HOST INSTITUTION NAME), as the recipient of a federal award from the U.S. Small Business Administration, is required to monitor its subawards and to provide administrative oversight. Subrecipients were reviewed using as standards the requirements of the OMB Circulars applicable to all subrecipient awards under the SBA award to XX SBDC, and the terms and conditions of the subrecipient agreement. Applicable OMB Circulars are: (1) OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements With institutions of Higher Education, Hospitals, and Other non-Profit Organizations", and (2) OMB Circular A-21, "Cost Principles for Educational Institutions".

Scope and Limitations of the Center On-Site Review

The review done by XX SBDC covered the SBDC operations during FY 200X, and FY200X through (month), 200X. The review was conducted by XX SBDC personnel responsible for contract and grant administration at the departmental level.

Because the procedures used in this on-site review did not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the SBDC subcenter's financial information as a whole, nor do we express an overall opinion on (1) the recipient's compliance with program policies, operating procedures, applicable laws and regulations, or (2) whether costs incurred were reasonable, allowable, or allocable, or (3) whether the network is operating in an effective manner.

This on-site review by the XX SBDC does not substitute for any other audit or review deemed necessary by the (Host Institution Name) for the same, previous, or subsequent periods, or for audits required of Federal grantees and subrecipients under the Single Audit Act of 1984 or Office of Management and Budget (OMB) Circular A-110 or A-133.

This report is intended for use only by the (HOST INSTUTION NAME), the Small Business Administration, the ASBDC Certification Committee, and the subrecipient institution. This report is not intended as a basis for action by any other entities.

Objectives and Procedures Used

The objectives of the on-site review were to determine whether the subrecipient has controls in place to ensure:
(1) the accuracy of reported financial information;
(2) whether costs incurred and claimed for reimbursement were reasonable, allowable, and allocable;
(3) compliance with SBA, SBDC guidelines, operating procedures, applicable laws and regulations.

Procedures used:

1) comparison of budgeted expenses to actual expenses,
2) review of selected expenditure source documentation and comparison of invoice amounts to federal and matching expenditure source documentation, as well as to institutional financial records,
3) re-calculation of certain total figures and other mathematical calculations;
4) review of any in-kind match documentation,
5) review of institutional documents such as indirect cost agreements and proposals, general ledger account summaries and transaction listings, property inventory listings, and time and effort reports, written administrative policies as exist.
6) review of program income records to amounts reported to XX SBDC, and
7) interviews with personnel to determine systems and internal controls.

Sample months were selected for review: **(month) 200X, (month) 200X, (month) 200X**

All federal and matching account expenditures and or accounting entries for the selected months were reviewed for comparison to the following standards:

1) **Invoice amounts** coincide with institutional financial statements (disbursement records).
2) Account **reconciliations** are performed routinely to ensure only authorized expenditures were posted to SBDC ledgers.
3) **Budget classifications** used are correct and re-budgeting is within 10% allowed
4) **Salary charges** match time and effort records, timesheets
5) **Leave reports** are generated and reconcile back to leave requests
6) **Time and effort** documents meet OMB cost circular requirements for frequency and certifications
7) **Expenditures comply** with OMB cost circulars – Section J
8) Clear **description and benefit** is evident on source documents
9) **Cost splits** between accounts, if done, are reasonable
10) **Mileage logs** include the purpose and benefit of trip

11) **Source documents** reflect that expenditures are approved by the center director
12) Expenditures are within the **proper grant period**
13) **Fringe benefits** are supported by institutional documentation
14) **Long distance records** are certified as being business related and reconcile to charges on ledgers
15) **In-kind matching** documentation, if applicable, fully supports reported amounts, are reasonable, the depreciated amount of equipment has not been exceeded, and items are not duplications of costs included in negotiated indirect cost calculations (where one exists),
16) **Program income** is established in a separate account and accounting records reflect revenue, expenditures and balances reported to the XX SBDC. Procedures exist to ensure all revenue is received by the SBDC.
17) **Property management** system complies with OMB administrative circulars and a spot check of physical inventory is successfully completed.
18) **Equipment** purchases were approved either in the proposal budget or by letter from the XX SBDC.
19) Where applicable, the latest **indirect cost** proposal and DS-2 statement are available for review to review for duplication of costs between direct and indirect.
20) Review of **written policies** for the host institution regarding compensation, travel, purchasing, cash handling and property management to review for adequacy and adherence.

Review Summary

The _____ SBDC passed most comparison testing to the standards. (#) exceptions were noted.

Issue 1 -

Issue 2-

Issue 3 -

Action Required

Within the SBDC, adequate internal control practices are maintained to provide sufficient administrative control in the areas of *(procurement, time and effort, travel, property management, etc.).*

During the on-site review, discussions regarding the exceptions noted above were held with the Center Director. Suggestions for improvement in areas that were within his/her control *(issues X, X, X)* were accepted and will be incorporated into _____ College's SBDC's procedures in the future. *(Add a sentence if there are institutional issues to be addressed by the central administration)*

A written response and timeline outlining the implementation of the recommendations is requested within 30 days of the receipt of this report. _____ College should take steps for corrective action as recommended above, within 90 days of the receipt of this report. If more than 90 days is required to implement changes or take action as recommended, a written justification will be required. A follow-up

status report of all recommended action is required to be submitted to the XX SBDC by _____ College within 120 days of the receipt of this report for any items that were outstanding as of the date of the original institutional response.

The SBDC and _____College management is encouraged to respond to the XX SBDC if they are not in agreement with the noted exceptions, the remainder of the contents of this report, or if additional clarification information can be made available to resolve the stated issues.

Report submitted by:

_____
(Name, Title of Reviewer)
XX Small Business Development Center

_____
Date

cc: