



## SUMMARY

# A Review of the Small Business Development Centers Program



JULY 2016

### INTRODUCTION

Members of the General Assembly requested that we conduct an audit of the Small Business Development Centers (SBDC) program. Our audit objectives included:

- Determine if the SBDC program's reporting, including the program's effectiveness, is in compliance with the U.S. Small Business Administration's (SBA) guidelines and is accurate and complete.
- Determine if the current structure of the SBDC is the most beneficial to the small business clients, provides appropriate oversight to the SBDC staff, and allows for necessary sharing of best practices throughout all SBDC offices.
- Review a sample of SBDC's use of funding to ensure that the program is efficiently handling federal, state, and other funds for expenditures, including technology upgrades and training conferences.

### SCOPE IMPAIRMENT

The SBA would not allow us unrestricted access to client database records; therefore, we were unable to address the audit objective concerning SBDC's effectiveness reporting.

The Small Business Development Centers (SBDC) program employs consultants who work with entrepreneurs and existing companies with the goal of advancing economic development in the state by supporting the growth of successful businesses. Consultants provide assistance in areas including the creation of business plans, preparation of loan packages for financing from third-party lenders, marketing, and management. There are 21 centers across the state in four regions, each hosted by a university — the University of South Carolina, S.C. State University, Clemson University, and Winthrop University.

### CONSULTANTS AND KEY PERFORMANCE INDICATORS

The current structure of SBDC does not allow for the even distribution of workloads across the state. The current boundaries of the four regions do not divide the population of the state evenly, leading some offices and consultants to have far more work or potential clients to serve than others. We recommend that the SBDC program should redraw the current regions to better reflect population or area needs.

### HUMAN RESOURCES PRACTICES

We found that the agency does not have uniform human resources (HR) practices; instead, each region follows the HR rules of its host institution for which they work. This can lead to inconsistencies between regions as well as generally inefficient practices, especially in the areas of staff qualifications and recordkeeping. We found that this decentralized HR system contributed to an unqualified individual being promoted to a regional director position.

### CONSULTANT QUALIFICATIONS

SBDC's consultants' qualifications vary by region and many of the consultants do not have small business experience. As few as 17% of the consultants in the S.C. State region had small business experience when hired. We found that 100% of the consultants in the Clemson region have bachelor's degrees while only 83% of the consultants in the S.C. State and 80% in the USC region have bachelor's degrees.

### PERFORMANCE EVALUATIONS

SBDC is not conducting performance reviews in accordance with SBDC's policies and procedures manual or the policies of its host institutions. We found that only one part-time consultant had been formally evaluated even though part-time consultants do the same type of work as the full-time consultants. We recommend that all employees, both full-time and part-time, have a formal, written, annual evaluation.

### KEY PERFORMANCE INDICATORS

SBDC reports its successes in assisting new and existing businesses in the state through key performance indicators (KPIs), such as the number of new businesses created, jobs created and saved, value of capital formation, and change in sales (revenues of businesses). We were unable to verify the KPI information because we were denied access to SBDC's client data.

## FOR MORE INFORMATION

Our full report, including comments from relevant agencies, is published on the Internet. Copies can also be obtained by contacting our office.

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## CONSULTANT TRAINING

We found that SBDC should establish minimum training requirements for part-time consultants and should implement a professional development leadership track for senior leaders, which was noted in SBDC's most recent accreditation report. SBDC uses its annual statewide conference to provide many of the required 30 hours of training for its consultants; however, we found that SBDC may be allowing banks that are helping to sponsor the conference too much presentation time. We recommend that presentation time by sponsors be limited to allow for other types of more relevant training at its statewide conferences.

## REVENUES AND EXPENDITURES

The U.S. Small Business Administration provides funding to each state's program through a formula based on population. SBDC is required to provide matching funds from other sources, which can be in-kind contributions such as office space. In FY 14-15, the program's total revenue was \$2,449,710, with \$211,667 of that received from the S.C. Department of Commerce.

## DONATION FUNDS

We found that there is a donation account with money received from some organizations, cities, or counties where SBDC's "presence" is requested. As of December 31, 2015, there was \$204,576 in the donation account for the USC region. SBDC could not provide a complete statement of all revenue and expenditures for this account. We recommend that SBDC inform the General Assembly about all available funds to the program.

## TRAVEL EXPENDITURES AND PROCUREMENTS

We reviewed all travel expenditures for calendar years 2014 and 2015 for all four regions and found that the state director's office does not have a comprehensive list of travel expenditures from each region. We found instances of incomplete travel reimbursement forms and excessive hotel costs. We also reviewed procurement expenditure records in each region for purchases which were unusual or not business related. We found questionable documents in one region. We recommend the SBDC program establish internal controls to ensure that only business expenses with a receipt are reimbursed.

## TECHNOLOGY COMMITTEE

SBDC formed a technology committee in 2016 which recommended electronic client forms, a statewide training calendar, and a skills matrix for all consultants.

## SPONSORSHIPS FOR STATEWIDE CONFERENCES

SBDC officials stated that funding for the program is limited so it seeks sponsors, mainly banks, to help fund its annual statewide training conference. SBDC received \$29,250 in sponsorships over the past three years and allowed certain sponsors presentation time at the conference. We recommend that SBDC limit the amount of presentation time for banks to allow for more relevant training.

## PROGRAM STRUCTURE

Having employees report to four different universities allows for inconsistencies in hiring, differing policies, and not having a single oversight authority. We found Winthrop's support of the SBDC program to be strong and Winthrop had the most thorough documentation of travel, procurements, and training. We recommend that the General Assembly designate, in state law, Winthrop University as the host institution for SBDC and require USC, Clemson, and S.C. State to continue to maintain current levels of support, such as providing office space to the program.