

Supporting Statement for Paperwork Reduction Act Submission: SBA Form 2113, Program Income Report and Narrative Program Report

A. Justification

1. *Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.*

The Small Business Development Center (SBDC) Program is authorized by Section 21 of the Small Business Act (SB Act), as amended, to provide grants to assist in establishing small business development centers (SBDCs). These centers are required to provide business management assistance through counseling and training sessions to existing and prospective small business concerns (SBCs). They must also submit performance and financial reports to SBA's Office of Small Development Centers (OSBDC) to show how the taxpayers' dollars are being used to implement the Program. See 2 CFR 215.24(a). The annual SBDC program announcement and each grant notice of award outline the specific requirements for the financial and program performance reports. (Please see attached Program Announcement, Section VI – Award Administration Information, para. 6.3, *Reporting, pages 37 – 41* and Notice of Award, Section III. General Terms and Conditions, para. A. 3. Record Keeping)

SBA Form 2113 is a summary report that supports the Federal and recipient share of net outlays reported on the SF 425. SBA adopted Form 2113 to facilitate reporting on items not covered by the Form 425. For instance, the total amount of program income must be monitored by SBA because there are limitations on the total program income balances that may be held by an entity from year to year. However, although SF 425 captures the amount of program income earned during the year and the amount earned but not expended after using the deduction or addition alternatives, the form does not provide for reporting amounts expended to further specific program objectives. In addition, SF 425 does not identify the sources of income and revenue generated from Program Income activity, and it does not allow grantees to account for any remaining program income that may be carried forward and used in subsequent years. Finally, the SF 425 also does not provide for reporting amounts expended to further specific program objectives and does not identify the sources of income and revenue generated from program income activity.

The Performance Report that accompanies Form 2113 addresses the SBDC's progress towards meeting the major activities, objectives, and performance goals from the approved proposal. It includes a discussion of issues the SBDC believes may impair its ability to achieve these items by the end of the budget period as well as the proposed actions for improvement. Program Announcement, para. 6.3.2.3, *Performance Reports*.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

In general, the information is used by OSBDC Program Managers and Financial Examiners to determine whether the goals and objectives as specified in the award are met, whether the taxpayers' monies are spent properly and in support of the program, and to assess the financial status of the SBDC awards. The Performance Report provides information on the accomplishments of the SBDC Program for budget planning purposes and for congressionally mandated oversight required by Section 21 of the SBA Act. Information collected by Form 2113 assists OSBDC in establishing standards for Financial Management, such as:

- Determining allowability of costs
- Establishing fund availability
- Creating and maintaining the audit trail necessary to track program funds
- Assisting in establishing effective control over and providing accountability for program income funds, property and assets to assure they are used solely for authorized purposes.
- OSBDC also uses the information to determine if fees, which are prohibited, are being charged for counseling services.

The information is also used by the Lead SBDC (also known as Recipient) to oversee the annual budget, track expenditures/requests for reimbursements, and to perform semi-annual and annual budget reviews to ensure compliance.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

The use of automated, electronic, mechanical, or other technological collection techniques are used in a variety of ways to organize and prepare SBA 2113 and the Narrative Program Report. The Narrative Program Report can be emailed, sent on a disc or faxed to the OSBDC offices. All of the forms are available electronically via the internet <https://www.sba.gov/offices/headquarters/osbdc/resources/20351>. The original SBA 2113 must be submitted to the SBA because an original signature is required on the forms.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

Some minimal duplication may be necessary in order to verify or update on-file information, such as names, addresses, phone numbers, and other routine information. OSBDC has no knowledge of the collection of this information in any other program. In fact, the OSBDC is the only source for collecting programmatic and financial data for the SBDC program's entrepreneurial training and counseling services.

5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-1), describe any methods used to minimize burden.

The reports are prepared by the Lead SBDC which may be an institution of higher learning or a State agency. Although some of these may be deemed small, this information collection does

not have a significant impact on each entity. It is written, as concisely and clearly as possible to solicit the minimal information that would enable the SBA to comply with Section 21 of the Small Business Act.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reduce burden.

If the Administration does not collect this information or conducts the collection less frequently, the SBA could not fulfill the requirements of the various grant management regulations, particularly in relation to expenditure of grant funds. In addition SBA would not have the necessary information to provide a report to the executive or legislative branches, as well as any other parties interested in the SBDC program.

7. Explain any special circumstances. Explain any special circumstances that would cause an information collection to be conducted in a manner etc.

There are no special circumstances.

8. Federal Register Notice. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Comments from the general public were requested in a January 27, 2016, Federal Register notice published in 81 FR 4734. No comments were received.

9. Payment or Gift to Respondents. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

SBA will not provide any payment or gifts to respondents during this information collection, other than remuneration of contractors or grantees in accordance with the terms of the award.

10. Assurances of Confidentiality. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

Information collected will be protected to the extent permitted by law.

11. Questions of a sensitive nature. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the

explanation to be given to person from whom the information is requested, and any steps to be taken to obtain their consent.

Not applicable.

12. Estimates of Hourly and Cost Burden

SBA has prepared this estimate based on past performance. The management of financial and programmatic information is a major objective of each Lead Center associated with the SBDC networks/consortium. All responsible comptrollers of the Lead Center sign the financial and programmatic reports, which take a minimum effort to comply and submit to the Administration.

The following table provides the formula to compute the total number of burden hours to complete this information collection and the Narrative Program Report.

| Forms and Reports | No. of Respondents | X | Frequency of Reporting | X | Hours per Report | = | Total Hour Burden |
|--------------------------|--------------------|---|------------------------|---|------------------|---|-------------------|
| SBA Form 2113 | 63 | X | 2 | X | 2 | = | 252 |
| Narrative Program Report | 63 | X | 2 | X | 10 | = | 1260 |
| TOTAL | | | | | | | 1512 |

Narrative Discussion of the Table Above

SBA Form 2113

- Number of respondents = 63
- Frequency = 2
- Total number of responses per year 126
- Average estimate of burden hours per response 2 hour
- Estimated number of burden hours per year = **252 hour**

The average estimate of burden hours per response includes the time needed to compile and merge data the Lead Center receives from sub-recipients.

Narrative Program Report

- Number of respondents 63
- Frequency = 2
- Total number of responses per year = 126
- Average estimate of burden hours per response = 10 hours
- Estimated number of burden hours per year **1260 hours**

The average of 10 hours includes estimated burden needed to prepare and coordinate the data from sub-recipients centers.

b. Respondent Cost

The following table provides the formula to compute the total cost to complete the SBA Form 2113 and the Narrative Program Report:

| Forms and Reports | No. of Respondents | X | Frequency of Reporting | X | Hours per Report | X | Est. Cost Per Report | + | Equip./Supplies * | = | Total |
|--------------------------|--------------------|---|------------------------|---|------------------|---|----------------------|---|-------------------|---|-----------------|
| SBA Form 2113 | 63 | X | 2 | X | 2 | X | \$155 | + | 4,662 | = | \$43,722 |
| Narrative Program Report | 63 | X | 2 | X | 10 | X | \$37 | + | 4,662 | = | \$51,282 |
| TOTAL | | | | | | | | | | | \$95,004 |

Discussion of Table above:

The rate is based on the average hourly cost per accountant/financial consultant which was \$150.00 three years ago when this form was last submitted to OMB. Estimating an increase of 2.5% per year for average hourly rate increases results in an estimated average hourly cost per accountant/financial consultant of \$155.00.

SBA Form 2113

- Number of respondents = 63
- Frequency = 2
- Total number of responses per year = 126
- Each respondent's Total Burden Hours per response = 2
- Average cost per accountant/financial consultant = \$155.00
- Hourly average cost burden per response is \$155.00 x 2 hours = \$310.00
- The average cost burden for total responses by all networks is \$310.00 x 126 responses = \$39,060.00
- Average equipment, supplies, and overhead to prepare the report is \$37.00 per report
- Total average equipment, supplies, and overhead to prepare the report is \$37.00 x 126 = \$4,662.00
- **Total cost burden for all networks is \$39,060.00 + \$4,662.00 = 43,722.00**

For the narrative report, the Lead Center SBDCs employ an administrative professional to prepare the reports; the cost of the director's review is included in this estimate. Based on a survey of 9 SBDC lead centers, the average hourly cost for preparing the narrative report is \$37.00

Narrative Program Report

- Number of respondents = 63
- Frequency = 2
- Total number of responses per year = 126
- Average hourly labor cost per report = \$37.00
- Each respondent's Total Burden Hours = 10
- Average cost of hourly salary for report preparation by SBDC employees = \$37.00
- Hourly average cost burden per response is \$37.00 x 10 hours = \$370.00

- The average cost burden for total responses by all networks is \$370.00 x 126 responses = \$46,620.00
- Average equipment, supplies, and overhead to prepare the report is \$37.00 per report.
- Total average equipment, supplies, and overhead to prepare the report is \$37.00 x 126 = \$4,662.00
- **Total cost burden for all networks is \$46,620.00 + \$4,662.00 = \$51,282.00**

13. Start up or Capital costs. Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information. Do not include hour cost burden from above.

There are no additional start-up or capital costs for the respondents.

14. Costs to the Federal Government. Provide estimates of annualized costs to the Federal Government. Also provide a description of the method used to estimate cost, including a quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information.

a. Federal Costs

SBA estimates the annual cost to the Federal Government based on the tasks of the employees in the OSBDC and the Project Officers who are located in the field. The hourly rate is based on the General Schedule issued by the Office of Personnel Management using the mid-range step of 5 . Overhead is based on 10% of the estimated total annual cost to the Federal government. The estimates are as follows:

GS-12 is the average grade of the project officer in the field; the project officer verifies the SBA 2113 and reviews the Narrative Program Report prior to submission to the OSBDC and the Denver finance office. It is estimated that **1 hour** is spent verifying SBA Form 2113 and **2 hours** reviewing the Narrative Program Report twice a year.

GS-14 is the grade of the examiners assigned to the OSBDC. The examiners conduct financial reviews of approximately half the SBDCs in a fiscal year. The financial examination consists of reviewing and analyzing the support documents which are used to compile and verify the payments made using the SBA 2113. On average, these tasks should take approximately **8 hours** each.

GS-14 is the grade of the Program Manager who reviews and analyzes the Narrative Program Report. On average this takes approximately **2 hours**.

GS-14 is the grade of the Grants Management Specialist (GS-14) who reviews the payments made to the individual networks and ensures that they correspond to the submitted SBA 2113. On average, these tasks should take approximately an average of **4 hours** each.

GS-15 oversees the above task from a managerial perspective.

Number of Respondents = 63

Number of Responses = 2x/year (Narrative Program Report)
2x/year (SBA Form 2113)

The following breakdown supports an estimate of the annual cost to the Federal government.

- 315 hours x \$42.08 (GS-12 hourly rate at step 5) = \$13,255.20
- 1008 hours x \$59.13 (GS-14 hourly rate at step 5) = \$59,603.04
- 31 hours x \$69.56 (GS-15 hourly rate at step 5) = \$2,156.36
- Total hourly cost to the Federal government = \$75,014.60
- Overhead covers cost of equipment and supplies at 10% of the total cost = \$7,501.46
- **Total annual cost to the Federal government = \$82,516.06**

15. Program Changes or Adjustments. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.

There is a significant decrease in the number of reporting hours (from 7308 to 1512) due to a mathematical error in the previous reporting.

16. Publication of Information Collection. For collection of information whose results will be published, outline plans for tabulation and publication. Address complex analytical techniques. . . Provide time schedules for the entire project. . .

The reports are not published.

17. Expiration Date. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why the display would be inappropriate.

The Agency will display the appropriate expiration date; no waiver from the requirement is being requested.

18. Exception to the Certification. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submission" of OMB Form 83-I

This collection requires no exceptions to the certification statement identified in Item 19 of OMB Form 83-1.

B. Collection of Information Employing Statistical Methods. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used.

Not applicable.