

Supporting Statement for Paperwork Reduction Act Submission

A. **Justification:** SBA Form 2113, Program Income Report; and Narrative Program Report

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 in Section 21 of the Small Business Act (SB Act), as amended, to provide grants to assist in establishing small business development centers. The Program receives federal funds to provide business management assistance through one-on-one counseling and training sessions. SBDC recipients are required to provide information on how the taxpayers' dollars are being used to implement the Program. The annual program announcement, to which the SBDC recipients respond to receive consideration for the federal funds, outlines the specific requirements for the financial and program performance reports that the SBDCs must provide to SBA. (Excerpt from the 2011 program announcement is attached.).

Section 21(a)(3)(B) states that provisions governing audits, cost principles and administrative requirements for Federal grants, contracts and cooperative agreements which are included in the uniform requirements of OMB shall be incorporated by reference. These provisions, which are set forth in 2 CFR Parts 215, 220, 225 and 230, and 13 CFR Part 143, have been incorporated into the Program Announcement and Notice of Award for the SBDC program.

2 CFR §215.52(a)(1) requires institutions of higher learning, hospitals, and non-profit organizations to use SF-269 to report the status of funds for all non-construction programs. The awarding agency has the option of not requiring the SF 269 when the SF 272, Report of Federal Cash Transactions, is determined to provide adequate information to meet its needs. However, a final SF 269 is required at the completion of the project period. The SBDC Program requires the recipient grantees to submit the SF 269 semi-annually and annually. If the recipient grantee has been in the program less than three years, the SF 269 is submitted quarterly.

However, OMB now requires all agencies to use SF 425, Federal Financial Report, in lieu of the SF-269, SF-269A, SF-272, and SF 272A. See 73 FR 47246 (8/13/2008) and 73 FR 61175 (10/15/2008). As such, SBA is currently using SF 425 and has incorporated the requirement to use the form into the applicable program announcement and notice of award.

SBA Form 2113, Program Income Report, is a summary report which supports the Federal and recipient share of net outlays on the SF 425 which is used to track and monitor network and individual service center Program Income activities. Revenue categories are required to identify sources of income and revenue generated from

Program income activity. Program income balances for these awards may be carried forward to subsequent years and may include several hundred thousand dollars of additional funds earned and used each year in support of program objectives. The total amount of program income must be monitored by SBA as there are limitations on the total program income balances that may be held by an entity and the form is also used to determine if fees are being charged for counseling services which are prohibited.

2 CFR 215.24(a) refers to the Grants Management Common Rule located in 13 CFR § 143.25, which states that the Administration will require the recipient to account for program income related to projects financed, in whole or in part with Federal funds. (A copy of this provision is attached.) Program income is normally reported under items 10(l) through 10(o) of the SF 425. However, because of the nature of the SBDC Program, SBA Form 2113 was adopted to support these items by identifying program income and program expenditures. Standard Form 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. However, it does not provide for reporting amounts expended to further eligible program objectives. In addition, the SBDC program requires that the remaining balance of program income from previous years be carried forward which may be used in subsequent years, which is also not included in the computation performed on the SF 425.

Additionally, the purpose, burden statement and logo were added to the form and the format was changed. No substantive changes were made.

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 SBA's SBDC Program Managers and Financial Examiners to determine whether the goals and objectives as specified in the award are met, whether the tax-payers' monies are spent properly and in support of the program, and to assess the financial status of the SBDC awards. The Narrative Program 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:

- Accounting for program income
- 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.
- Assisting in safeguarding assets to assure they are used solely for authorized purposes.

The information is used by the Lead SBDC Center director, the recipient and the recipient's Grants Management Officers, 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 (http://www.sba.gov/aboutsba/sbaprograms/sbdc/funding/sbdc_forms.html). 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. Currently, 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-I), describe any methods used to minimize burden.

The reports are prepared by the SBDC network 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 enable the SBA to comply with Section 21 of the Small Business Act as amended.

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 November 27, 2009, in a 60-day Federal Register notice published in 74 FR 62359. No comments were received. SBA consulted with (9) Lead Centers in the SBDC program in determining realistic burden estimates.

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 recipients and the Lead Center Directors of the SBDC networks/consortium signs the financial and programmatic reports which takes 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 the SF 425 which includes SBA Form 2113 and the Narrative Program Report.

Forms and Reports	No. of Respondents	X	Frequency of Reporting	X	Hours per Report	=	Total Hour Burden
SF 2113	63	X	2	X	2	=	252
Narrative Program Report	63	X	2	X	56	=	7056
TOTAL							7308

Narrative Discussion of the Table Above

SBA Form 2113

- Number of respondents = 63
- Frequency = 2
- Total number of responses per year 63
- Average estimate of burden hours per response 2 hour
- Estimated number of burden hours per year = **252 hours**
- The average estimate of burden hours per response is based on the time providing for a ¼ hour to fill out the form and average of 1.75 hours for burden needed to merge the financial reports the Lead Center receives from sub-recipients. These burden hours are based on a survey of 9 service centers within the network. Specifically, each Lead Center then has a certain number of service centers that collect program income. The number of centers can range from 3 in Delaware to 33 in Ohio or Illinios. Each service center must report program income to the Lead Center which then reports to the SBA.

Narrative Program Report

- Number of respondents 63
- Frequency = 2
- Total number of responses per year = 126
- Average estimate of burden hours per response = 56 hours
- Estimated number of burden hours per year **7,056 hours**
- The average of 56 hours is estimated for burden needed to prepare and coordinate the programmatic reports from sub-recipients. These burden hours are based on a survey of 9 service centers within the-network.

b. Respondent Cost

The following table provides the formula to compute the total number of burden hours 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
SF 2113	63	X	2	X	2	X	\$145	+	4,410	=	\$36,540
Narrative Program Report	63	X	2	X	10	X	\$35	+	4,410	=	\$48,510
TOTAL											\$85,080

Narrative Discussion of Table above:

Preliminary Note:

For the SF 425, the rate is based on the average hourly cost per accountant/financial consultant which was \$135.00 three years ago. 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 \$145.00.

For the narrative report, the lead service centers 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 \$35.00.

SBA Form 2113

- Number of respondents = 63
- Frequency = 2
- Total number of responses per year = 126
- Each respondent’s Total Burden Hours = 2
- Average cost per accountant/financial consultant = \$145.00
- Hourly average cost burden per response is \$145.00 x 4 hours = \$580.00
- The average cost burden for total responses by all networks is \$580.00 x 126 responses = \$73,080.00
- Average equipment, supplies, and overhead to prepare the report, based on a survey of 9 service center is \$35.00 per report
- Total average equipment, supplies, and overhead to prepare the report is \$35.00 x 126 = \$4,410.00
- **Total cost burden for all networks is \$73,080.00 + \$4,410.00 = \$77,490.00**

Narrative Program Report

- Number of respondents = 63
- Frequency = 2
- Total number of responses per year = 126
- Average hourly labor cost per report = \$35.00
- Each respondent’s Total Burden Hours = 56
- Average cost of hourly salary for report preparation by SBDC employees = \$35.00
- Hourly average cost burden per response is \$35.00 x 56 hours = \$1,960.00

- The average cost burden for total responses by all networks is \$1,960.00 x 126 responses = \$246,960.00
- Average equipment, supplies, and overhead to prepare the report, based on a survey of 9 service center, is \$35.00 per report.
- Total average equipment, supplies, and overhead to prepare the report is \$35.00 x 126 = \$4,410.00
- **Total cost burden for all networks is \$246,960.00 + \$4,410.00 = \$251,370.00**

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

The Administration estimates the annual cost to the Federal Government based on the tasks of the employees in the Office of Small Business Development Centers 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 \$37.37 (GS-12 hourly rate at step 5) = \$11,771.55
- 1008 hours x \$52.51 (GS-14 hourly rate at step 5) = \$52,930.08
- 31 hours x \$61.76 (GS-15 hourly rate at step 5) = \$1,914.56
- Total hourly cost to the Federal government = \$66,616.19
- Overhead covers cost of equipment and supplies at 10% of the total cost = \$6,661.62
- **Total annual cost to the Federal government = \$73,277.81**

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.

Standard Form 425 replaces Standard Form 269 and consolidates Standard Form 272; therefore there is less paperwork to review and means that the burden hours have been reduced.

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.