

The US Small Business Administration (SBA) recently extended the application deadline for the Community Navigator Pilot Program to July 23, 2021. See [link](#). Given the current robust regulatory environment, hubs should use this extra time to ensure that their applications reflect their commitment and ability to comply with the terms and conditions of the award and applicable laws and regulations.

SBA Will Evaluate Applicant's Risk

The SBA's Office of the Inspector General (OIG) recently recommended that the SBA develop and implement procedures to ensure program officials objectively assess an applicant's risk. This recommendation is being made in order to minimize the possibility of awarding cooperative agreements to unfit entities.¹

Accordingly, the Notice of Funding Opportunity Announcement (NOFO) provides that applicants will be "evaluated by the program office to assess the possible risks they may pose to maintaining compliance with the terms and conditions of the award." See NOFO at par. 5.7. To evaluate this risk, the SBA will consider, among other things, the applicant's financial management systems' quality and the applicant's demonstrated ability to effectively implement statutory, regulatory or other requirements. *Id.*

Areas of Risk for Applicant Hubs

The SBA has made it clear that it is the hub's responsibility to uphold the spokes to the same Federal Cost Principles listed in [2 CFR 200](#) and ensure that spokes remain in compliance with the applicable federal and programmatic requirements. See SBA Third FAQ, No. 11. In other words, hubs bear the risk of spoke noncompliance and, therefore, applications should demonstrate hubs' ability and plan to provide effective oversight.

Demonstrating Risk Mitigation in Required Documents

In order to properly assess risk, the NOFO requires the hub to provide four compliance-related documents that, drafted appropriately, can effectively demonstrate the hub's commitment and ability to comply with the terms and conditions of the award and applicable laws and regulations.

Those documents include:

1. Partner Organization Commitment Letters
2. Funding Distribution Agreement
3. Cost Policy Statement
4. Conflict of Interest Policy

The first two documents should operate in tandem, setting forth the respective responsibilities of the hub and spokes. They should also contractually obligate the spokes to comply with, among other things, the hub's compliance policies and procedures – particularly those related to the use of federal funds. In the event of noncompliance, these documents also ensure that all parties understand the respective parties' obligations to refund the government.

The latter two documents should demonstrate that the hub has developed, at a minimum, compliance policies and procedures designed to ensure that the spoke's respective costs are consistently allocated and accurately recorded, and that spokes are not unjustly enriching themselves or others. In doing so, hubs can demonstrate their commitment to measures that ensure funds are appropriately utilized to accomplish the objectives of the award.

Demonstrating Risk Mitigation in Budget Narrative

In addition, a hub's proposed budget should reflect an investment in compliance proportional to the tier of the award sought. This may include retaining an outside bookkeeper, appointing a compliance officer as a member of the hub's key personnel staff, retaining outside counsel to advise on compliance, and purchasing a customer relationship management (CRM) and accounting software. This may help signal to the SBA that compliance is a priority for your organization.

¹ See SBA OIG Report 21-14, May 4, 2021

Closing Thoughts

The program provides a significant opportunity to assist small and underrepresented businesses across the country. To set your hub and spokes up for success, among other things, we recommend investing in compliance – starting with your application. In doing so, applicants will be able to avoid the historical pitfalls that have plagued other businesses in similar positions.

We previously hosted a webinar on how to best capitalize on the present opportunity. A full recording of the webinar can be viewed [here](#).

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