Performance Audit Report

Controls Governing Economic Injury Disaster Loan Approval Need Improvement

SEPTEMBER 29, 2014

REPORT NUMBER 14-20

U.S. Small Business Administration
Office of Inspector General
Washington, D.C. 20416

Final Report Transmittal
Report No. 14-20

Date: September 29, 2014

To: James E. Rivera, Associate Administrator for Disaster Assistance

Subject: Controls Governing Economic Injury Disaster Loan Approval Need Improvement

This report is the second of two reports resulting from our audit of the Economic Injury Disaster Loan (EIDL) Program. Our audit objective was to determine whether the Small Business Administration (SBA) had sufficient controls to ensure working capital loans under the Economic Injury Disaster Loan Program were approved for eligible borrowers in the correct amount.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We appreciate the courtesy and cooperation that the SBA extended to the staff during this audit. Please direct any questions to me at (202) 205-6586 or Andrea I. Rambow, Acting Director, Credit Programs Group at (202) 205-4428.

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/s/
Robert A. Westbrooks
Deputy Inspector General

Executive Summary

Controls Governing Economic Injury Disaster Loan Approval Need Improvement

Report Number 14-20

What the OIG Reviewed

The Small Business Administration (SBA) is authorized to provide Economic Injury Disaster Loans by Section 7(b)(2) of the Small Business Act. These loans are intended to provide businesses with working capital to recover from an economic injury caused by a disaster. The SBA's Standard Operating Procedure (SOP) 50 30 prescribes loan eligibility, repayment ability, and documentation requirements for Economic Injury Disaster Loans. It also designates loan processing and loan approval authority levels for Economic Injury Disaster Loans based on loan complexity and dollar amount.

Our audit objective was to determine whether the SBA had sufficient controls to ensure working capital loans under the Economic Injury Disaster Loan (EIDL) Program were approved for eligible borrowers in the correct amount. During the audit, we reviewed 22 economic injury disaster loans totaling $7.8 million from a random statistical sample with a final disbursement date between January 1, 2008, and April 30, 2012. For these loans, we verified borrower eligibility, assessed the borrower's repayment ability, and verified whether the loans were approved for the correct dollar amount. We reviewed the electronic loan files within the Disaster Credit Management System for these loans that were processed and approved by the SBA's Processing and Disbursement Center (PDC) staff in Fort Worth, Texas.

This report is the second of two Office of Inspector General (OIG) reports resulting from our audit of the EIDL Program. The first report, *Two Economic Injury Disaster Loans Defaulted after the SBA Made Approval Decisions totaling $1.4 Million without Mitigating the Reasons for Prior Denials*, was issued on December 20, 2013. This second report addresses our findings on the SBA's processing and approval of loans in the EIDL Program.

What the OIG Found

The SBA should not have approved $946,400—or nearly half of the total $1.8 million—that was approved for 11 of 22 loans we reviewed.

The SBA approved one loan for $384,300, even though the applicant did not sustain an economic injury. The applicant was ineligible under the EIDL Program because the applicant's sales increased during the purported injury period.

SBA approved another two loans totaling $91,000, although the loan officers did not properly complete the required analyses of economic injury. The files did not contain the business' monthly and annual sales projections required to support the applicants' purported economic injury.

For the remaining eight loans, the SBA should not have approved $471,100. We found multiple errors, including the use of the wrong injury period, incorrect financial trends or miscalculations, unsupported or unreconciled monthly sales, unsupported sales projections, or unsupported economic needs.

All of these loans were recommended for approval by the loan officers processing the applications and were approved by a separate supervisory loan officer. The SBA needs to improve internal controls governing the EIDL approval process to ensure that loans are approved only to eligible borrowers and for the correct amount.

OIG Recommendations

We recommend that the Associate Administrator for Disaster Assistance develop a checklist for key requirements such as applicant eligibility, and ensure that all required supporting documentation is included in the electronic loan file prior to approval of the loan. Additional training should also be provided to loan officers and supervisory loan officers regarding SOP compliance.

Agency Comments

In response to this report, SBA management provided general comments that can be viewed in Appendix III. SBA management agreed with one recommendation and partially agreed with the other recommendation.

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Introduction

This report is the second of two Office of Inspector General (OIG) reports resulting from our audit of the Economic Injury Disaster Loan (EIDL) Program. The first report, *Two Economic Injury Disaster Loans Defaulted after the SBA Made Approval Decisions totaling $1.4 Million without Mitigating the Reasons for Prior Denials*, was issued on December 20, 2013.

The audit objective was to determine whether the Small Business Administration (SBA) had sufficient controls to ensure EIDLs were approved to eligible borrowers for the correct amount. To accomplish the objective, we reviewed a sample of EIDLs in the Agency's electronic loan files maintained within the Disaster Credit Management System (DCMS). We also interviewed Agency officials at the SBA's Processing and Disbursement Center (PDC) in Fort Worth, Texas, and the Office of Disaster Assistance Headquarters in Washington, D.C.

We reviewed 22 EIDLs totaling $7.8 million from a random, statistical sample with a final disbursement date between January 1, 2008, and April 30, 2012, to assess borrower eligibility, borrower's repayment ability, and verify whether the loans were approved for the correct dollar amount.

Background

The SBA offers four kinds of disaster loans, as authorized by Section 7(b) of the Small Business Act: physical disaster home loans, physical disaster business loans, economic injury disaster business loans, and Military Reservist EIDL loans. EIDLs are intended to provide businesses with working capital to recover from an economic injury caused by a disaster. The SBA's PDC, located in Fort Worth, Texas, electronically processes and maintains disaster loan application files using its DCMS.

As of February 28, 2014, EIDLs represented approximately 24 percent of the disaster loan portfolio. There were 17,964 disaster loans with an EIDL component, including 6,223 standalone EIDLs and 11,741 combination loans totaling approximately $1.6 billion of the total $7.1 billion disaster loan portfolio. Including standalone EIDLs and combination physical business and EIDLs, the loans represent approximately 70 percent of all business disaster loans. As shown in Table 1 below, the SBA historically experienced a higher delinquency and liquidation rate for EIDLS than for physical business loans.

Table 1 Disaster Business Loans Delinquencies and Defaults as of February 28, 2014

Disaster Business Loan Type	Delinquent	Liquidation	Charged-Off
EIDL	4.07%	10.95%	5.68%
Combination (Physical Business and EIDL)	1.53%	7.11%	4.24%
Physical	0.96%	3.28%	4.91%

Source: Data produced by Patriot Systems Group and True North for SBA.

The SBA's Standard Operating Procedure (SOP)[1] provides loan eligibility and documentation requirements for EIDLs. It also designates the loan approval process and authority levels for EIDLs based on loan complexity and dollar amount. Additionally, the SOP requires that a supervisory loan officer review and concur with all recommendations to approve or deny a loan.

[1] SOP 50 30 7 *Disaster Assistance Program* took effect on May 13, 2011, superseded its previous version SOP 50 30 6, which had been in effect since November 26, 2007, and that version superseded SOP 50 30 5 which had been in effect since May 6, 2004.

Federal Regulation 13 CFR 123.303(a) states that EIDL proceeds may only be used for working capital. The SBA's SOP also contains this criterion and specifically prohibits the use of EIDL proceeds for the repair of physical damage. In addition, the SOP requires that all documents obtained to support the borrower's eligibility be retained in the electronic loan file.

Results

Based upon the results of our review of a statistically valid, random sample of 22 loans, totaling $7,789,700, we determined that the SBA approved a total of nearly $1 million more than it should have for 11 of the 22 loans. We determined the SBA approved one loan to an ineligible borrower in the amount of $384,300, who we determined did not sustain an economic injury. We also identified two EIDLs, totaling $91,000 that the SBA approved, although the loan officers did not properly complete the required analyses of economic injury. For the remaining eight loans, totaling $471,100, we found multiple errors, including the use of the wrong injury period, incorrect financial trends or miscalculations, unsupported or unreconciled monthly sales, unsupported sales projections, or unsupported economic needs. Therefore, we questioned a total of $946,400 of the approximate $1.8 million approved EIDL amounts associated with the 11 loans. (See Appendix II for Loans Approved for Incorrect Dollar Amounts.)

Finding 1: The SBA Approved Nearly $1 Million More Than It Should Have for 11 Economic Injury Disaster Loans

From our review of the 22 sampled loans, we determined that the SBA approved 1 loan to an ineligible borrower and approved 10 other loans for an unsupported or incorrect dollar amount. The SBA approved one loan, although the business did not demonstrate it experienced an economic injury. It also approved eight loans for an incorrect loan amount and approved another two loans without properly completed analyses of economic injury. For these 11 loans, we concluded that the SBA collectively approved nearly $1 million more than it should have.

We found multiple errors in the approval of 11 of the 22 loans we reviewed, including 1 EIDL in the amount of $384,300 approved to an applicant who did not demonstrate that the business had experienced an economic loss. In fact, for the entire 27 months subsequent to the disaster, the business experienced a trend of increased sales during the injury period—evidence that an economic injury did not exist. Even though the applicant reported these increases to the SBA, the Agency approved the requested EIDL. Specifically, during the first 12 months following the disaster, sales for the business increased by 19.8 percent. During the subsequent 12-month period, sales continued to increase by 10.3 percent. The DCMS did not contain adequate and supporting documentation to substantiate the business' remaining financial needs, which the SBA used to justify its approval decision. Therefore, we concluded that the business did not experience an economic injury and was ineligible for the $384,300 economic injury loan.

Additionally, we identified two EIDLs totaling $91,000 that the SBA approved, although the loan officers did not properly complete the required analyses of economic injury. The DCMS did not contain the monthly or annual sales projections to adequately support the purported economic injury sustained by these borrowers. Thus, we were unable to determine the correct loan amounts the borrowers should have received.

For the remaining eight loans we reviewed, we noted that seven were missing supporting documentation. This occurred because the SOP governing disaster loans does not require the loan officer to verify that all documentation necessary to approve the loan is included in the electronic loan file prior to approving the loan. Six of the eight loans also contained errors in the analysis, including use of the wrong injury period, incorrect financial trends, or significant miscalculations. As a result of these deficiencies, we determined that the SBA should not have approved $471,100 for these eight loans.

The SBA should not have approved a total of $946,400—or over half of the total $1.8 million it approved for the 11 loans from our audit sample that contained approval errors. All of the loans were reviewed and approved by a supervisory loan officer, as required by the SBA's "rule of two," which requires supervisor concurrence with the initial loan officer's recommendation for all disaster loans. Despite this supervisory review, the errors we identified above were not detected during the approval process.

Conclusion

Internal controls governing the EIDL approval process need to be improved to ensure that loans are approved only to eligible borrowers and for the correct amount. We identified a loan of nearly $400,000 to an ineligible borrower and two loans approved without a properly completed analysis of the purported economic injury. We also determined that 8 of the 22 loans we reviewed contained errors in the SBA's calculations in the analysis used to determine whether the applicants had sustained an economic injury or did not have supporting documentation needed to justify the loan amount. This occurred despite supervisory review intended to ensure that loans are approved only to eligible borrowers for eligible purposes and that the approval analysis is fully supported.

Recommendations

We recommend that the Associate Administrator for Disaster Assistance:

1. Develop a checklist for key requirements and ensure loan officers complete the checklist prior to approving the loan. Include specific requirements, such as whether the applicant sustained an economic injury and whether all required supporting documentation is included in the electronic loan file. Additionally, develop written requirements for loan officers and supervisory loan officers to verify that all documents required to support a loan decision are included in the electronic loan file prior to recommending approval of the loan.
2. Provide additional training to loan officers and supervisory loan officers regarding the SOP requirements for which noncompliance was identified.

Agency Comments and OIG Response

On August 18, 2014, we provided a draft copy of this report to the Office of Disaster Assistance (ODA) for comment. On September 18, 2014, the ODA provided a formal response, which is included in its entirety in Appendix III. A summary of management's comments and our response follows.

The ODA disagreed with OIG's determination that a $384,300 loan was provided to an ineligible borrower. As noted in this report, the OIG determined that the applicant was ineligible for the $384,300 loan. We determined that the applicant's sales increased significantly during the injury period, exceeding its sales during the comparable time period prior to the disaster and exceeding the projected sales, which included an estimated 10 percent increase. The OIG analysis did include the ten percent increase in annual sales used by SBA in its analysis. The OIG analysis, however, concluded that the applicant's actual sales for the first 12 months following the disaster significantly exceeded the previous 12 months and the projected 10 percent increase by $424,000. Therefore, we believe our conclusion that the applicant did not suffer an economic injury during this time period was accurate.

The ODA also commented that the report does not reflect current internal controls and training provided at the Processing and Disbursement Center. In its response, the ODA reported that in 2013, it rewrote its business training to ensure consistency in processing loans and to emphasize the need for documentation to support economic injury analysis. The ODA also included a step-by-step process for determining economic injury. As reported by the ODA, the training was implemented in 2014 and emphasizes the requirement to properly document conversations with the applicants on items like estimated sales after the disaster, as well as the requirement to obtain the supporting documentation necessary to support the needs calculation. In addition, the ODA continues to improve its processes based on findings from its internal and external quality assurance teams.

While we are encouraged by the ODA's reported steps to improve its processes and implement the new training, the new business training should also address the deficiencies we identified during this audit, including use of the wrong injury period, incorrect financial trends or miscalculations, unsupported or unreconciled monthly sales, unsupported sales projections, and unsupported economic needs.

Recommendation 1 -Develop a checklist for key requirements and ensure loan officers complete the checklist prior to approving the loan. Include specific requirements such as whether the applicant sustained an economic injury, and whether all required supporting documentation is included in the electronic loan file. Additionally, develop written requirements for loan officers and supervisory loan officers to verify that all documents required to support a loan decision are included in the electronic loan file prior to recommending approval of the loan.

Management Comments

ODA partially agrees with this recommendation. We agree that the loan officers should have clear guidance on determining the economic injury loss and that loan officers need to thoroughly document their decisions. We have incorporated into the business training a step by step process for determining economic injury loss, which will be included in the next update to the SOP 50-30. We have incorporated this process into the Disaster Credit Management System (DCMS) which we believe is sufficient in lieu of a checklist. The step by step process incorporated into DCMS is as follows:

a. Identify injury period
b. Injury Analysis
    i. Determine "normal"
    ii. Determine modified contribution margin
    iii. Determine Injury Period modified contribution margin
    iv. Arrive at eligible economic injury
c. Needs analysis
    i. Determine to-date needs
    ii. Determine future needs
    iii. Determine extraordinary needs (if any)
    iv. Arrive at total needs

d. Economic Injury Disaster Loan amount
    i. Lesser of total needs and eligible economic injury

OIG Response

Management's comments are not fully responsive to this recommendation. Although management agreed with the basis of this recommendation, which is to have clear guidance for loan officers and to fully document decisions, it stated that reliance on the DCMS is sufficient without the need for a checklist. Although we have not tested the SBA's implementation of the revised training referred to in management's comments, our audit findings indicate that sole reliance on the DCMS was not sufficient to ensure that loan officer decisions were fully supported. Thus, we recommended the use of a checklist to ensure that loan officers consistently follow the prescribed loan evaluation and decision process and that all documentation necessary to support the loan approval decision is stored in the electronic loan file. Further, it is our opinion that the use of a checklist provides an internal control that may help to ensure that loan officers consistently complete all required steps in the disaster loan approval process.

Management's comments were only partially responsive to recommendation one. This recommendation is unresolved and open.

Recommendation 2 - Provide additional training to loan officers and supervisory loan officers regarding the SOP requirements for which noncompliance was identified.

Management Comments

ODA agrees with this recommendation. As stated above, in 2013, ODA rewrote the business training to ensure consistency in the processing of loans and to emphasize the need for documentation to support economic injury analyses. We will continue to train our loan officers accordingly.

OIG Response

Management's comments were responsive to recommendation two. This recommendation is resolved and open, and will remain open until the OIG receives supporting documentation showing that the new business training addresses the deficiencies identified during this audit, including use of the wrong injury period, incorrect financial trends or miscalculations, unsupported or unreconciled monthly sales, unsupported sales projections, and unsupported economic needs.

Appendix I: Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit objective was to determine whether the SBA had sufficient controls to ensure working capital loans under the EIDL Program were approved to eligible borrowers for the correct amount. To achieve our objective, we reviewed a statistically valid random sample of 22 EIDLs and interviewed Agency officials at the SBA's Processing and Disbursement Center in Fort Worth, Texas; and at SBA Headquarters in Washington, D.C.

From the universe of loans, a statistical consultant selected a statistically valid random sample of 65 economic injury disaster loans with a final disbursement date between January 1, 2008, and April 30, 2012, excluding loans of $24,999 or less. The final universe of 2,264 loans totaled $282.4 million.

From the sample of 65 loans, we completed a review of 22 loans, totaling $7.8 million, to assess borrower eligibility, borrower's repayment ability, and whether the loan was approved for the correct amount. We reviewed the Agency's electronic loan files maintained within the DCMS for these loans.

Nature of Limited or Omitted Information

No information was omitted due to confidentiality or sensitivity, nor were there limitations to information on this audit.

Review of Internal Controls

The Office of Management and Budget (OMB) Circular A-123 provides guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on internal controls.[2]

During the audit, the OIG assessed the control environment at the SBA's PDC in Fort Worth, Texas. The OIG assessed the activities carried out and processes followed by PDC personnel to execute the center's responsibilities, as well as entries into the DCMS. We determined that the internal controls governing the approval of EIDLs can be improved, specifically: justifications, supervisory reviews, EIDL analysis computations, and supporting documentation. (See Finding 1.)

Use of Computer-Processed Data

We relied on information maintained by the SBA in the Loan Accounting System and Disaster Credit Management System for this audit. Previous OIG engagements have verified that the information maintained in these systems is reasonably reliable. Further, data elements associated with reviewed loans were verified against source documentation scanned into the electronic loan files. As a result, we believe the information is reliable for the purposes of this audit.

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[2] OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004.

Prior Coverage

U.S. Government Accountability Office Audit Reports

Report GAO-12-253T, *Progress Continues in Addressing Reforms to the Disaster Loan Program*, issued November 30, 2011.

Report GAO-09-900T, *Additional Steps Should Be Taken to Address Reforms to the Disaster Loan Program and Improve the Application Process for Future Disasters*, issued July 29, 2009.

Report GAO-06-860, *Actions Needed to Provide More Timely Disaster Assistance*, issued July 28, 2006.

Report GAO-06-605T, *Improvements Made, but Loan Programs Face Ongoing Management Challenges*, issued April 6, 2006.

Small Business Administration-Office of Inspector General Reports

Audit Report 09-06, *The Uses of Proceeds from Gulf Coast Disaster Loans*, issued January 15, 2009.

Audit Report 3-13, *Audit of Economic Injury Disaster Loans,* issued March 14, 2003.

Appendix II: Loans Approved for Incorrect Dollar Amounts

Item No.	SBA Application No.	Wrong Injury Period, Trend, or Miscalculation	Unreconciled or Unsupported Monthly Sales	Unsupported Projections	Unsupported Economic Needs	Other Exception	EIDL Exception Amount	Approved EIDL Amount
1	0003203660	X		X			$8,500	$67,200
2	0004299500				X		$53,900	$98,600
3	1000023411	X	X	X	X		$65,600	$111,800
4	1000088559	X	X	X	X		$9,200	$32,400
5	0004331581	X	X				$37,600	$294,200
6	0003193579	X					$69,800	$350,000
7	1000030453				X		$65,900	$119,300
8	1000088573	X			X		$160,600	$279,200
9	0003199042					Ineligible for EIDL, Sales Increased during Injury Period	$384,300	$384,300
10	0003139476					Incomplete EIDL Analysis	$63,700	$63,700
11	0000269572					Incomplete EIDL Analysis	$27,300	$27,300
	Totals	**6**	**3**	**3**	**5**	**3**	**$946,400**	**$1,828,000**

Appendix III: Management Comments

U.S. Small Business Administration

Washington, D.C. 20416

Date: September 18, 2014

To: Robert A. Westbrooks
Deputy Inspector General

From: James E. Rivera
Associate Administrator
Office of Disaster Assistance

Subject: OIG Draft Report – Controls Governing Economic Injury Disaster Loan Approval Need Improvement (Project 12801)

We have reviewed the OIG Draft Report. The objective of this audit was to determine whether the SBA had sufficient controls to ensure Economic Injury Disaster Loans (EIDLs) were approved to eligible borrowers for the correct amount. Thank you for the opportunity to respond to the Draft Report.

The EIDL program is designed to provide working capital in an amount sufficient to enable businesses to continue operation until they can fully recover from the effects of a declared disaster. The EIDL loan amount is restricted to the working capital needed to return the business to normal operations. To determine the loan amount, a loan officer is required to identify the injury period (i.e., the period of time the business will be impacted by a disaster), identify the normal monthly sales a business would have generated during this period, and conduct a "Needs Analysis." As such, the EIDL program can be complex and subjective in nature because the factors in each case are unique and do not lend themselves to a "cookie cutter" approach to underwriting.

The audit report concludes that internal controls governing the EIDL approval process need to be improved to ensure that all loans are approved only to eligible borrowers and for the correct amount.

ODA disagrees with the OIG's determination that a $384,300 loan was made to an ineligible borrower

In one specific case, the OIG determined that the SBA approved a loan for $384,300 to a business that was ineligible because there was no economic injury. The OIG concluded that the business did not suffer economic injury because the post-disaster sales figures were greater than the pre-disaster sales figures for the same time period. The OIG draft report states that this loan was ineligible because the applicant "did not demonstrate that the business had experienced an economic loss." As evidence that economic injury did not exist, the OIG states that the applicant reported increased sales during the injury period to SBA. To further support their conclusion, the OIG states that the business experienced a trend in increased sales.

We believe the OIG is incorrect in their conclusion that the applicant did not sustain an economic injury based on the fact that the applicant's sales increased during the injury period. Economic injury was established with post disaster sales being greater than pre-disaster sales figures (with a reasonable 10% increase which was the sales trend between 2003 and 2006), as described in *SOP 50-3-5 Appendix 20 Section W and SOP 50-30-6 Appendix 20 Section B.*

Based on our review of the EIDL analysis for this loan, we concluded that the amount of economic injury determined by the loan officer was reasonable given the historical upward sales trend. The loan was processed in full compliance with all established policies in place at the time the loan was approved.

The OIG based their results on a review of dated loans approved between 2006 and 2011

The OIG focused their analysis on a sample of 22 loans approved between 2006 and 2011. Of the 11 loans with noted exceptions, the most recent loan is from three years ago and the oldest is from eight years ago. As such, we believe the recommendations do not reflect the current internal controls and training ODA has provided at the Processing and Disbursement Center.

As an example, in 2013, we rewrote our business training to ensure consistency in the processing of loans and to emphasize the need for documentation to support economic injury analysis. The training also includes a step by step process for determining economic injury. The new training was implemented in 2014 and emphasizes the requirement to properly document conversations with the applicants on items like estimated sales after the disaster as well as the requirement to obtain the supporting documentation necessary to support the needs calculation. In addition, we continue to improve our processes based on findings from our quality assurance teams (internal and external).

<u>OIG Recommendations and Agency Responses</u>

1) *Develop a checklist for key requirements and ensure loan officers complete the checklist prior to approving the loan. Include specific requirements such as whether the applicant sustained an economic injury, and whether all required supporting documentation is included in the electronic loan file. Additionally, develop written requirements for loan officers and supervisory loan officers to verify that all documents required to support a loan decision are included in the electronic loan file prior to recommending approval of the loan.*

ODA Response: ODA partially agrees with this recommendation.

We agree that the loan officers should have clear guidance on determining the economic injury loss and that loan officers need to thoroughly document their decisions. We have incorporated into the business training a step by step process for determining economic injury loss, which will be included in the next update to the SOP 50-30. We have incorporated this process into the Disaster Credit Management System (DCMS) which we believe is sufficient in lieu of a checklist. The step by step process incorporated into DCMS is as follows:

Identify injury period

a. Injury Analysis
    i. Determine “normal”
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    iv. Arrive at eligible economic injury
b. Needs analysis
    i. Determine to-date needs
    ii. Determine future needs
    iii. Determine extraordinary needs (if any)
    iv. Arrive at total needs
c. Economic Injury Disaster Loan amount
    i. Lesser of total needs and eligible economic injury

2) *Provide additional training to loan officers and supervisory loan officers regarding the SOP requirements for which noncompliance was identified.*

ODA Response: ODA agrees with this recommendation.

As stated above, in 2013, ODA rewrote the business training to ensure consistency in the processing of loans and to emphasize the need for documentation to support economic injury analyses. We will continue to train our loan officers accordingly.