

# **U.S. Small Business Administration Office of Inspector General**

**Semiannual Report to Congress  
April 1, 2018–September 30, 2018**



**October 29, 2018**

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**U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, D.C. 20416**

This year marks the 40th anniversary of the Inspector General Act. Our office was one of the original 12 Offices of Inspector General (OIGs) created in 1978. Since that time, we have been part of a community that has grown to include 73 statutory Inspectors General who collectively oversee the operations of nearly every aspect of the federal government.

Every 6 months, we provide Congress with a report detailing our independent oversight of the U.S. Small Business Administration (SBA). Our Fall 2018 Semiannual Report to Congress provides a summary of OIG's activities from April 1, 2018, through September 30, 2018. OIG continues to focus on the most critical risks facing SBA. Our resources are directed at key SBA programs and operations, including financial assistance, government contracting and business development, financial management and information technology, disaster assistance, Agency management challenges, and security operations.

During this reporting period, OIG issued 11 reports with 35 recommendations to improve SBA operations and reduce fraud and unnecessary losses in Agency programs. In addition, OIG investigations resulted in 41 indictments and 24 convictions. OIG also provided critical investigative and legal support in reaching multimillion-dollar settlements on four separate small business contracting fraud cases brought under the False Claims Act. Overall, OIG's investigations and audits achieved monetary recoveries and savings of \$22,051,553. OIG also sent 16 present responsibility referrals to SBA and 35 additional present responsibility referrals to other agencies. These referrals typically result in a suspension, debarment, or administrative agreement.

In achieving these results, OIG dedicated its oversight resources toward the principal program areas of SBA. A few noteworthy reviews and investigative outcomes detailed in this report are highlighted below:

- OIG issued [Audit Report 18-22](#), Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes. We found that ineligible firms had received \$126.8 million in new 8(a) set-aside contract obligations in fiscal year 2017 and made 11 recommendations to improve program management.
- OIG issued [Audit Reports 18-16](#) and [18-19](#), which evaluated SBA's initial disaster assistance response to Hurricanes Irma and Maria. These finalized a series of inspection reports regarding SBA's response to the major hurricanes that struck the United States and its territories in 2017. Because the reports were prepared in series, OIG was able to document the progressive challenges SBA experienced in addressing the volume of loan applications

from disaster victims and the unique challenges SBA faced in these disparate geographic areas.

- [OIG investigation](#) resulted in military officers being charged in large-scale corruption. An Army colonel, his wife, a defense contract employee, and others conspired to solicit and accept bribes in exchange for rigging the award of more than \$20 million in U.S. Army and private company contracts to an 8(a) firm.
- [OIG investigation](#) disclosed that a Missouri veteran fraudulently claimed service-disabled veteran-owned business status to obtain government contracts totaling \$40 million.
- [OIG](#), in partnership with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Training Institute, presented the fourth annual Small Business Procurement Integrity Seminar. Seventy-four participants across the government, representing investigations, audit, and legal disciplines, attended this 1-day training event aimed at raising awareness of fraud schemes and oversight practices to protect the integrity of SBA's contracting programs. The seminar also brought together the talents of SBA [OIG](#) personnel as well as presenters from the Department of Justice Civil Fraud Division and the National Science Foundation [OIG](#).

I would like to thank [OIG's](#) employees for their outstanding efforts to promote economy, efficiency, effectiveness, and integrity in SBA programs and operations. We look forward to continuing to work with Administrator McMahon and SBA's management to address the issues and challenges facing the Agency. Furthermore, in the years to come, we look forward to continuing our efforts to provide independent and effective oversight of the Agency and working with CIGIE on important issues that cut across our government.

A handwritten signature in black ink, appearing to read 'Hannibal Ware', with a stylized flourish at the end.

Hannibal "Mike" Ware

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## Organization Overviews

### The U.S. Small Business Administration

The mission of the U.S. Small Business Administration (SBA) under the Small Business Act, as amended, is to maintain and strengthen the Nation's economy by enabling the establishment and vitality of small businesses and assisting in the economic recovery of communities after disasters. The Agency's strategic plan for fiscal years (FYs) 2014–2018 has three overarching goals:

- Growing businesses and creating jobs.
- Serving as the voice for small businesses.
- Building an agency that meets the needs of today's and tomorrow's small businesses.

SBA is organized around four key functional assistance areas: financial, contracting, entrepreneurial development, and disaster assistance. The Agency also represents small businesses through an independent advocate and an ombudsman.

SBA's headquarters is in Washington, DC—with staff in 10 regional offices, 68 district offices and corresponding branch offices, and 4 disaster field offices—to deliver business products and services. There are also six government contracting area offices. SBA also maintains a vast network of resource partners in all 50 states, the District of Columbia, Puerto Rico, American Samoa, the U.S. Virgin Islands, and Guam.

### The Office of Inspector General

Pursuant to the Inspector General Act of 1978 (the IG Act), as amended, the Office of Inspector General (OIG) provides independent, objective oversight to improve the integrity, accountability, and performance of SBA and its programs for the benefit of the American people. While SBA's programs are essential to strengthening America's economy, the Agency faces a number of challenges in carrying out its mission. Challenges include fraudulent schemes affecting all SBA programs, significant losses from defaulted loans, procurement flaws that allow large firms to obtain small business awards, excessive improper payments, and outdated legacy information systems.

OIG plays a critical role in addressing these and other challenges by conducting audits to identify wasteful expenditures and program mismanagement; investigating fraud and other wrongdoing; and taking other actions to deter and detect waste, fraud, abuse, and inefficiencies in SBA programs and operations. OIG's activities also help to ensure that SBA employees possess a high level of integrity. This is critical to the proper administration of SBA's programs because it helps ensure that SBA resources are used by those who need them the most. Copies of OIG reports and other products are available at <https://www.sba.gov/office-of-inspector-general>.

OIG has three divisions and several supporting program offices to carry out its functional responsibilities.

The **Audits Division** performs and oversees audits and reviews to review and assist SBA in administering its programs and operations economically, efficiently, and effectively. Key areas of emphasis are SBA's loan programs, disaster assistance, business development and government contracting programs, as well as mandatory and other statutory audit requirements involving computer security and financial reporting. The balance of the engagements is discretionary and focuses on high-risk activities and management issues facing SBA.

The **Investigations Division** conducts investigations to deter and detect illegal and improper activities involving SBA's programs, operations, and personnel. SBA OIG criminal investigators carry out a full range of traditional law enforcement functions. The security operations staff conducts required OIG employee background investigations to achieve a high level of integrity in the Agency's workforce and adjudicates OIG employees and contractors for issuance of personal identity verification cards pursuant to Homeland Security Presidential Directive-12 background investigations requirements. The OIG Hotline, under the purview of the Investigations Division, reviews allegations of waste, fraud, abuse, or serious mismanagement within SBA or its programs from employees, contractors, and the public. Hotline staff members conduct a preliminary review of all complaints to determine the appropriate course of action and may coordinate reviews of allegations within OIG, SBA program offices, or other government agencies.

The **Management and Operations Division** provides business support (e.g., budget and financial management, human resources, IT, administrative, and communication) for various OIG functions and activities.

The **Office of Counsel** provides legal and ethics advice to all OIG components; represents OIG in litigation arising out of or affecting OIG operations; presents training; assists with prosecuting criminal, civil, and administrative enforcement matters; processes subpoenas; responds to Freedom of Information and Privacy Act requests; and reviews and comments on proposed policies, regulations, legislation, and procedures.

OIG's headquarters is located in Washington, DC. Its field staff are located in Atlanta, GA; Chicago, IL; Dallas-Fort Worth, TX; Detroit, MI; Denver, CO; Herndon, VA; Houston, TX; Kansas City, MO; Los Angeles, CA; Miami, FL; New York, NY; Philadelphia, PA; Federal Way, WA; and Washington, DC.

## **Small Business Access to Capital**

SBA provides small businesses with capital and financial assistance through several key programs and has a financial assistance portfolio of guaranteed and direct loans totaling about \$118.8 billion. Over the years, OIG has worked closely with the Agency to identify potential points of risk and to improve SBA's oversight and controls to ensure that eligible participants most in need of assistance benefit from these programs.

For example, the Agency's largest lending program, the Section 7(a) Loan Guaranty Program, is SBA's principal vehicle for providing small businesses with access to credit that cannot be obtained elsewhere. Proceeds from a 7(a) loan may be used to establish a new business or to assist in acquiring, operating, or expanding an existing business. This program relies on numerous outside parties (e.g., borrowers, loan agents, and lenders) to complete loan transactions, with the majority of loans being made by lenders to whom SBA has delegated loan-making authority. Additionally, SBA has centralized many loan approval and servicing functions and reduced the number of staff performing these functions, placing more responsibility on—and giving greater independence to—its lenders. Past OIG reviews have reported on these trends, and OIG continues to identify weaknesses in SBA's lender and loan agent oversight processes.

Criminals use a wide array of techniques to fraudulently obtain—or induce others to obtain—SBA-guaranteed loans. These include submitting fraudulent documents, making fictitious asset claims, manipulating property values, using loan proceeds contrary to the terms of the loans, and failing to disclose debts or prior criminal records. Consequently, there is a greater chance of financial loss to the Agency and its lenders. OIG dedicates a significant portion of its resources to identifying wrongdoers and, whenever possible, to recovering funds.

### **High Risk 7(a) Loan Review Program**

This management advisory presents the evaluation results of two 7(a) loans as part of our ongoing High Risk 7(a) Loan Review Program. This is the first in a series of advisories for 7(a) loans we reviewed in FY 2018. The objectives of our evaluation were to determine whether (1) high-dollar/early-defaulted 7(a) loans were originated and closed in accordance with SBA's rules, regulations, policies, and procedures and (2) material deficiencies exist that warrant recovery of guaranteed payments to lenders.

Our review of these two high-dollar/early-defaulted 7(a) loans identified material lender origination and closing deficiencies. We found that the lenders for both loans did not provide sufficient evidence to support that they originated and closed the loans in accordance with SBA's requirements. Specifically, the lenders did not provide adequate documentation to substantiate financial projections, terms for debt being refinanced, a borrower's inability to obtain credit elsewhere on reasonable terms, and that a franchise agreement was executed prior to the first disbursement.

As a result, the lenders' material noncompliance with SBA requirements while originating and closing the loans resulted in a combined potential loss to SBA of approximately \$1.4 million. We recommended that SBA require the lenders to bring the two loans into compliance or seek recovery of approximately \$1.4 million. SBA agreed with the recommendations and has contacted the lenders to obtain additional information to bring the loan into compliance and stated they will send the loans to headquarters for the denial review process if the lenders cannot overcome the issues identified. (Access Report 18-21 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-18-21.pdf>.)

### **OIG High Risk 7(a) Loan Review Program**

This management advisory presents the evaluation results of two 7(a) loans as part of our ongoing High Risk 7(a) Loan Review Program. This is the second in a series of advisories for 7(a) loans we reviewed in FY 2018 and one loan identified in a previous review. We presented two loans in our first advisory. The objectives of our evaluation were to determine whether (1) high-dollar/early-defaulted 7(a) loans were originated and closed in accordance with SBA's rules, regulations, policies, and procedures and (2) material deficiencies existed that warrant recovery of guaranteed payments to lenders.

Our review of these two high-dollar/early-defaulted 7(a) loans identified that lenders for both loans did not provide sufficient evidence to support that they originated and closed the loans in accordance with SBA's requirements. Specifically, the lenders did not provide adequate documentation to substantiate reasonable assurance that the borrowers met requirements for repayment ability, size eligibility, and equity injection.

As a result, the lenders' material noncompliance with SBA requirements while originating and closing the loans resulted in a combined potential loss to SBA of approximately \$1.3 million. We recommended that SBA require the lenders to bring the two loans into compliance or seek recovery of approximately \$1.3 million. SBA agreed with the recommendations and has contacted the lenders to obtain additional information to bring the loan into compliance and stated that if the issues are not overcome, recovery will be sought from the lenders. (Access Report 18-23 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-18-23.pdf>.)

### **Consolidated Results of the Office of Inspector General High Risk 7(a) Loan Review Program**

This report presents the consolidated results of our ongoing High Risk 7(a) Loan Review Program from December 2017 through September 2018 and a contextual summary of our work for FYs 2014 through 2018.

OIG's review of eight early-defaulted loans in FY 2018 identified material lender origination and closing deficiencies that justified denial of the guaranty for four loans in the amount of nearly \$2.7 million. We issued two advisory memorandums regarding these four loans to SBA for appropriate corrective action. We also identified suspicious activity on one purchased loan totaling \$665,126,

resulting in a formal referral to our Investigations Division. We did not identify any material deficiencies with the remaining three loans reviewed.

Since FY 2014, under OIG's High Risk 7(a) Loan Review Program, we have reviewed 27 loans with purchase amounts totaling almost \$23.2 million. We have recommended recoveries on 11 loans totaling more than \$8.5 million. Also, we have referred five loans totaling nearly \$4 million for further investigation.

SBA reviewed the 11 loans we previously reported on with recommended recoveries totaling more than \$8.5 million. To date, SBA has contacted the lenders to obtain additional information to mitigate the identified deficiencies and has recovered more than \$4 million in guaranty payments to lenders on 5 of the 11 loans. (Access Report 18-26 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-18-26.pdf>.)

### **Arizona Executives Sentenced to Prison and to Pay Millions in Restitution**

The former chief financial officer (CFO) of a medical equipment company was sentenced in federal court in Arizona to 30 months in prison and 36 months of supervised release, and was ordered to pay \$4,189,482 in restitution and a \$1,300 special assessment fee. The company's former chief executive officer (CEO) was sentenced in the same court to 36 months in prison and 36 months of supervised release, and was ordered to pay \$4,189,482 in restitution and a \$1,300 special assessment fee. Finally, the firm's former legal counsel was sentenced in the same court to 5 years of probation and ordered to pay \$3,303,889 in restitution. All three defendants were ordered to pay restitution jointly and severally.

The first two individuals had previously pled guilty to conspiracy, bank fraud, money laundering, and transactional money laundering. In addition, the former legal counsel had previously pled guilty to conspiracy.

In 2009, the CFO and CEO established the company with the attorney's assistance. The firm's business model was to buy several "mom and pop" businesses in the durable medical equipment industry. The CFO and CEO obtained three SBA business loans to help fund the acquisition of various durable medical equipment companies throughout the United States. One bank approved two SBA loans to the firm in the amounts of \$1,650,000 and \$900,000. A second bank approved a \$3,631,000 SBA loan to the firm. To obtain the loan approvals, the firm misrepresented its ownership on all three SBA loan applications, claiming the CFO owned at least 80 percent of the firm and that the CEO had no ownership interest. In fact, the CEO owned at least 40 percent of the firm but did not want to reveal this due to his adverse credit history. The investigation further revealed two sets of purchase agreements: one submitted to the lender for loan approval and the true purchase agreement submitted to each seller.

There was also a "cash-back" arrangement between the sellers of the businesses and the firm. The scheme involved the sellers receiving more than the agreed amount for their businesses. The CFO

and CEO would then direct the sellers to transfer the excess funds back to their firm. Two of the loans required a cash injection from the firm's owners, but no one provided it. Instead, forged letters and altered bank statements were submitted to the lenders to make it appear as though the firm had paid the required cash to the sellers at an earlier date. In addition, the firm's debts were omitted from the loan applications and related documents, thus making the firm appear more financially sound than it actually was. The proceeds from two of the loans were used to pay off past due debts even though using the loan proceeds for these debts was prohibited. This included \$30,000 to the attorneys for legal fees and more than \$100,000 to two creditors who had otherwise planned to file judgements against the CFO and CEO. This case was worked jointly with Internal Revenue Service (IRS) Criminal Investigation (CI) and the Federal Bureau of Investigation (FBI).

### **Arizona Man Pleads Guilty to Asset Concealment and Will Pay More Than \$1.3 Million**

The owner of an Arizona realty investment firm pled guilty in federal court to concealment of assets in bankruptcy. He also agreed to pay \$1,392,000 in restitution to SBA. The owner allegedly was aided by two others in committing criminal violations related to an SBA Section 504 loan and his Chapter 11 bankruptcy. Accordingly, the plea agreement required that the two codefendants forfeit real estate they conspired to acquire for the owner during his bankruptcy. If they comply with the agreement, the charges against them will be dismissed.

The investigation revealed that, in December 2006, the owner applied for a Section 504 loan to purchase and improve a Scottsdale, AZ, office condominium for his law practice. SBA approved and guaranteed the loan for his realty investment firm. The \$1,500,000 loan was issued by a business financing corporation and in part funded a \$4,583,000 project that included the purchase and remodeling of the office.

The owner stopped making payments on the loans around June 2009 and, in November 2009, filed for Chapter 11 bankruptcy. In April 2013, SBA approved an offer in compromise (OIC) and settled the \$1,520,807 outstanding loan amount for \$450,000 based on representations the owner made on SBA financial statements and OIC forms. However, the owner and the two other individuals had attempted to conceal assets from the bankruptcy court and the owner's creditors, including SBA. By accepting a false OIC from the realty investment firm owner, SBA incurred a \$1,392,000 loss. The investigation was conducted jointly with IRS CI.

### **Chicago Woman Pleads Guilty to Conversion of SBA Property**

A former Chicago grocery store owner pled guilty in federal court to conversion of SBA property in connection with a scheme to defraud SBA and a bank. In addition, the earlier indictment sought forfeiture of at least \$1,487,000.

The investigation revealed that her initial SBA loan application was declined due to her lack of credit history and business experience. The woman then recruited a family friend to falsely pose as the business owner/operator and sign all SBA loan paperwork as the president of the store, despite

having no involvement with the business. As a result of using the friend's name and credit information, the store was approved for SBA loans of \$200,000 and \$1,287,000.

The application submitted to the bank concealed the owner's significant loan debts and criminal history of felony check fraud and assaulting a police officer. Finally, the application falsely claimed that the friend worked as a supervisor for a grocery store from 1998 until 2005 and was president and director of operations for the subject's store from 2005 to 2007. This OIG-led investigation is being conducted jointly with the FBI.

### **Missouri Business Owner Sentenced to Prison and More Than \$2.5 Million in Penalties**

The former owner of a Missouri machine and engineering firm was sentenced in federal court to 48 months of imprisonment and 5 years of supervised release. He was also ordered to pay \$1,347,608 in restitution and a \$1,207,980 money judgment.

The investigation revealed that the man falsified company financial documents in 2015 and 2016 in order to influence a Georgia bank to make a \$1,744,000 SBA loan. The loan was in connection with the sale of the firm to a couple who had cashed in a major portion of their retirement savings to purchase the business. The purchasers agreed to pay \$1,975,208 for the business, which was an inflated value based on the firm's altered bookkeeping. The owner had inflated his income by approximately \$583,827 prior to the sale of the business. He was ordered to pay the purchasers of the firm \$262,000 in restitution for their closing costs and cash infusion into the business. This investigation is being conducted in conjunction with the FBI.

### **Minnesota Exporter Ordered to Pay More Than \$1.3 Million in Restitution**

A federal court ordered a Minnesota soybean exporter to pay \$1,347,574 in restitution to SBA. He had previously pled guilty to making false statements and had been sentenced to 3 years of probation.

The investigation revealed that, between 2011 and 2013, he applied for and received a line of credit through a bank on behalf of his grain company. The line of credit was guaranteed by SBA under the Export Working Capital Program (EWCP). The man was a personal guarantor on the line of credit. He renewed and increased the line of credit with the bank multiple times, with each increase requiring him to provide truthful information regarding his financial condition, loan purpose, and other information, including any liens and judgements pending against him.

During his annual renewal of the grain company's SBA-guaranteed line of credit, he concealed from the bank and SBA the fact that he was served with a complaint and summons in July 2008 for a civil lawsuit alleging business-related breach of contract and fraud. Moreover, after losing a trial in November 2011 resulting from this civil lawsuit, he concealed from the bank and SBA a \$98,519 judgement entered against him in March 2012 by a state district court.

In addition, the man wrote checks totaling \$407,247 from the grain company's EWCP line of credit to his associated soybean processing business to pay construction costs for its facilities. He knew that

he was not permitted to transfer proceeds from his export line of credit to pay the expenses of another company unrelated to the export of soybeans, and that doing so was a misapplication of EWCP loan proceeds. His actions resulted in the bank and SBA suffering approximately \$1,497,305 in losses. This was a joint investigation with the FBI.

### **Former Missouri Business Owner Sentenced to Prison and More Than \$1.5 Million in Restitution**

The former owner of a Missouri roofing business was sentenced in federal court to 2 years imprisonment and 5 years of supervised release. He also was ordered to pay \$1,571,578 in restitution. The man had previously pled guilty to providing false information on an SBA loan application and failing to pay employment taxes.

In May 2012, the owner applied for a \$1,450,000 SBA business loan and failed to accurately report all of his financial debts and to disclose his business' true financial status. The company was heavily in debt and about to claim bankruptcy. He also failed to disclose to SBA that two coconspirators helped prepare his SBA loan application. At the time of their involvement, they were on federal probation for their previous participation in a mortgage fraud scheme. The two individuals received more than \$200,000 from the roofing business for purported consulting fees.

In addition, the business owner failed to pay to the government \$262,066 in payroll taxes he had collected from his employees. He also failed to pay the employer's share of Federal Insurance Contributions Act taxes (i.e., Social Security and Medicare) totaling \$395,699. This investigation was conducted in conjunction with the FBI and IRS CI.

### **Georgia Tax Preparer Sentenced to 30 Months in Prison**

A Georgia tax preparer was sentenced in federal court to 30 months of imprisonment, 16 months of home confinement, and 5 years of supervised release. He previously had pled guilty to making false statements and making a false statement on a bank loan application.

The criminal investigation showed that, from approximately March 2015 through August 2016, the man owned and operated a tax preparation service. His clients hired him to prepare their personal and business income tax returns, and many gave him access to their business checking accounts so that he could make payments to the IRS. He forged clients' signatures on multiple IRS "Power of Attorney & Declaration of Representation" forms to facilitate his theft of client funds. The fraudulent power of attorney forms allowed him to represent his clients before the IRS for matters involving their federal income taxes. Also, the man identified himself as a certified public accountant (CPA) on the forms when, in fact, he never held a CPA license.

In addition, the tax preparer applied for and received a \$110,000 SBA-guaranteed loan for working capital in late 2014. He concealed his criminal history by making a false statement on his SBA loan application. In particular, he concealed the fact that he was arrested, convicted, and imprisoned in

the state of Georgia between 2006 and 2007 for theft by conversation for his stealing of client funds. This was a joint investigation with IRS CI and the Treasury Inspector General for Tax Administration.

### **Washington State Man Sentenced for Using SBA Loan for Marijuana Business**

A Washington State man was sentenced in King County Superior Court to 364 days of imprisonment in the King County Jail (suspended), 80 hours of community service, 12 months of supervised probation, a \$5,000 fee, and a victim assessment fee of \$500. No restitution was assessed because the loan in question was paid in full. He had previously pled guilty to attempted theft in the second degree.

In addition, based on OIG's investigative findings and above guilty plea, the Washington State Liquor and Cannabis Board issued an administrative violation notice for cancellation of the man's license. The Board identified the source of funds by the applicant to be questionable, unverifiable, and/or determined to be gained in a manner which is in violation of law.

The investigation revealed that the man obtained a \$680,800 SBA Section 7(a) guaranteed business loan for the purchase of a building to be used as office and storage space for his current Wendy's restaurant franchise. The bank conducted a site inspection shortly after the loan's disbursement and found the space was being used as a retail cannabis shop and not as described in the loan agreement. SBA prohibits the use of guaranteed funds in connection with illegal activity, and retail marijuana sales remain illegal under federal law. After these findings, OIG opened a criminal investigation pursuing violations involving false statements to the government and bank fraud.

### **Texas Man Sentenced to 20 Years in Prison and Nearly \$33 Million in Monetary Penalties**

A Texas man was sentenced in federal court to 240 months (20 years) in prison for his participation in a money laundering conspiracy. The court further ordered him to serve 36 months of supervised release following the completion of his sentence and to pay \$24 million in forfeiture. This was in addition to his liability under a jointly and severally restitution finding of \$8,970,396. His wife previously had pled guilty in federal court to conspiracy.

The investigation began when the U.S. Department of Homeland Security (DHS) OIG referred this matter to SBA OIG. In 2013, DHS OIG began reviewing reports that Indian nationals living in the United States were being defrauded in a massive "tele-fraud" scam. Numerous victims reported that they had been contacted by persons claiming to be officials with the U.S. Citizenship and Immigration Services, IRS, the U.S. Attorney's Office, or another government agency. Among other tactics, victims were often told that they had an outstanding order of deportation or a past due tax bill, and that they would be arrested immediately. To avoid arrest or deportation, the victims were instructed to pay large sums of money to the scam callers.

In 2014, SBA OIG checked agency records to determine whether DHS OIG case subjects held SBA loans. An initial check revealed that 13 suspects were believed to have obtained 23 SBA-guaranteed loans, with approval dates ranging from 1990 to 2014. The disbursement amounts for all loans

totaled \$16,384,918. In particular, the investigation found that a \$698,700 SBA-guaranteed loan was approved in 2008 to a Wisconsin property management company. The loan's purpose was to fund a gas station owned by the Texas man and his wife, with the man listed as the loan's guarantor. Moreover, the loan officer worked with an Illinois bank and had been indicted for bank fraud in 2013.

The investigation identified the Texas man as a domestic manager for the scam who was responsible for directing runners' activities. At times he provided runners with resources such as vehicles and credit cards for travel expenses. He would often serve as a point of contact with the call center operators and payment processors in India, including negotiating his runner crew's payout of scammed funds. His wife was also identified as a runner in the scheme. She would help purchase temporary general purpose reloadable (GPR) cards, forward the unique GPR card numbers to the payment processors so the cards could be registered, purchase money orders using GPR cards funded with fraud proceeds, retrieve cash payments of scammed funds via money transmitters such as Western Union and MoneyGram by using fake identification documents, and deposit scammed funds into bank accounts. In addition, more than \$250,000 in scam proceeds were being laundered through the gas station that the couple owned.

The individuals in this enormous scheme caused hundreds of millions of dollars of victim losses throughout the United States. The scheme's design and the rapid movement of funds often resulted in victims being unable to report the fraud in time for their funds to be recovered. More than 15,000 known victims have been identified thus far, and approximately 50,000 individuals have had their identities misappropriated based on the unauthorized use of their personal information to register GPR cards used to move tele-fraud funds.

## **Disaster Assistance Program**

Disaster assistance has been part of the Agency since its inception in 1953. Through its Office of Disaster Assistance, SBA provides long-term, low-interest financial assistance to businesses of all sizes, to private nonprofit organizations, to homeowners, and to renters following a disaster. Each year, SBA approves hundreds of millions of dollars in disaster assistance loans.

The Disaster Loan Program is the only form of SBA assistance not limited to small businesses; the program's disaster loans are the primary form of federal assistance for repairing and rebuilding nonfarm, private sector disaster losses. The program includes four categories of loans for disaster-related losses: (1) home disaster loans, (2) business disaster loans, (3) economic injury disaster loans, and (4) military reservist economic injury loans.

Unfortunately, the need to disburse such loans quickly poses many complications and may create opportunities for dishonest applicants to commit fraud. OIG and GAO audits have identified that SBA's disaster loans have been vulnerable to fraud and losses in the past because loan transactions are often expedited in order to provide quick relief to disaster survivors, and disaster lending personnel, who are brought into the workforce quickly, may lack sufficient training or experience. Additionally, the volume of loan applications may overwhelm SBA's resources and its ability to exercise careful oversight of lending transactions. OIG audits and investigations have identified specific instances of fraud as well as necessary systemic improvements to reduce fraud and to provide effective and efficient loan delivery and protect taxpayer dollars.

### **Inspection of SBA's Initial Disaster Assistance Response to Hurricane Irma**

This report presents the results of our inspection of SBA's initial disaster assistance response to Hurricane Irma, a Category 5 hurricane that made landfall on September 6, 2017, in the U.S. Virgin Islands and impacted residents in Florida, Georgia, and South Carolina between September 10 and September 11, 2017, causing at least \$42.5 billion in property damage. Hurricane Irma was the second of three major hurricanes (Harvey, Irma, And Maria) impacting the United States between August 25 and September 20, 2017.

We evaluated SBA's response to Hurricane Irma and found that SBA established a meaningful presence in the storm's immediate aftermath. Within 20 days after Hurricane Irma was declared a disaster in Florida, SBA provided 127 staff for 27 recovery centers set up by the Federal Emergency Management Agency and the affected states and the U.S. territories. By the end of December 2017, SBA opened and operated 134 recovery centers to assist Hurricane Irma survivors. Also, in response to the 3 hurricanes, SBA's ODA increased its staff from 1,660 to 4,703 employees. Although SBA was able to provide staffing to assist Hurricane Irma survivors, SBA management noted that the current Schedule-A hiring process makes it difficult to rapidly hire employees. We also found that SBA management could better assess their personnel needs if they fully utilized available management staffing tools.

By the end of December 2017, SBA had accepted 110,464 Hurricane Irma loan applications. Of those, 105,257, or about 95 percent, were processed, and 5,207, or about 5 percent, were remaining to be processed. As of the end of December 2017, the combined loan applications remaining to be processed were 29,272 for all 3 disasters. We also found there were 5,117 damage loss verifications remaining to be processed, of which 2,283, or 44.6 percent, were for Hurricane Irma.

Lastly, we evaluated SBA's processing time data for Hurricane Irma disaster loan applications with a loan approval or denial decision as of the end of December 2017. The average processing time was approximately 21 days when computer-generated declines were not included. However, when computer-generated declines were included, the overall average processing time was approximately 15 days. Despite the unprecedented volume of disaster loan applications and hiring challenges, SBA met its 45-day processing goal for the applications processed. (Access Report 18-16 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-18-16.pdf>.)

### **Inspection of SBA's Initial Disaster Assistance Response to Hurricane Maria**

This report presents the results of our inspection of SBA's initial disaster assistance response to Hurricane Maria, a category 4 hurricane that made landfall on September 20, 2017, causing at least at least \$90 billion in damages. Hurricane Maria was the third major hurricane (after Harvey and Irma) to impact the United States and its territories in less than four weeks, between August 25 and September 20, 2017.

While still assisting Hurricane Irma disaster survivors, SBA provided staff for two Business Recovery Centers and five Disaster Recovery Centers in the U.S. Virgin Islands within 33 days after Maria made landfall. Regarding Puerto Rico, SBA established three Business Recovery Centers within 13 to 26 days after Maria made landfall and provided staff for two Disaster Recovery Centers established by the Federal Emergency Management Agency 30 days after Maria made landfall. As of March 30, 2018, SBA staffed 15 recovery centers in the U.S. Virgin Islands and 154 in Puerto Rico.

By September 30, 2018, the Office of Disaster Assistance had increased staffing levels to 2,579 to provide assistance for all disasters, including Hurricanes Harvey, Irma, and Maria. Staffing levels peaked on December 13 at 5,094, and by December 30, 2017, staffing levels were at 4,703.

Although SBA hired staff, it did not fully anticipate the unprecedented need for Spanish interpretation services in Puerto Rico. SBA needed additional Spanish translation services to assist the staff in meeting the needs of disaster survivors. As a result, some survivors experienced estimated wait times of over 45 minutes or dropped calls.

Our review of loan volume and approvals for Hurricane Maria showed that by the end of March 2018, SBA accepted 90,477 applications; of those, 86,598, or about 96 percent, were processed, and 3,879, or about 4 percent, remained to be processed. SBA approved 40,246 of the 86,598 processed loan applications, totaling approximately \$1.5 billion. Of the 40,246 approved, 17,491 loans, totaling

\$338,526,600, or about 22 percent, were disbursed. We also found there were 783 loss verifications remaining to be processed.

Lastly, we computed SBA's processing times for Hurricane Maria disaster loan applications with a loan approval, denial, or withdrawal as of March 30, 2018. The average processing time was about 30 days when computer-generated declines were not included. However, when computer-generated declines were included, the overall average processing time was about 27 days. SBA met its 45-day processing goal for the applications processed. (Access Report 18-19 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-18-19.pdf>.)

### **New York Man Pleads Guilty in Connection with Disaster Fraud**

A New York fashion designer pled guilty in federal court to making false statements. He and his spouse, a medical doctor, previously had been arrested by the New York Hurricane Sandy Working Group for filing false applications to collect federal relief funds after the hurricane. The investigation disclosed that, from about December 2013 through August 2016, the two men received \$4,116 in Federal Emergency Management Agency (FEMA) grants. They also were approved for a \$250,300 disaster home loan but ultimately received \$14,000 from SBA. Finally, they received \$61,539 from the New York Governor's Office for Storm Recovery under a program administered by the U.S. Department of Housing and Urban Development (HUD).

The doctor reapplied and was declined on a \$300,000 SBA disaster home loan application due to the damaged property not being the primary residence based on information provided by SBA OIG. Both men allegedly had falsely claimed that a storm-damaged property in one New York town was their primary residence when it was actually a vacation property. Their primary residence was elsewhere. Moreover, a falsified rental agreement was submitted to SBA, FEMA, and HUD to support the false applications. This investigation was conducted by the New York Hurricane Sandy Working Group, comprised of DHS OIG, HUD OIG, and SBA OIG, in conjunction with the U.S. Attorney's Office.

### **Texas Man Pleads Guilty to Disaster Fraud**

A Texas man pled guilty in federal court to fraud in connection with a major disaster. He had attempted to accept delivery of a U.S. Treasury check for a disaster loan in the name of another man for damage caused by Hurricane Irma to a residence located in Orlando, FL. It was suspected that the loan application submitted for this property was fraudulent because the applicant provided an apartment in Houston, TX, as the mailing address. The investigation continues and is being worked jointly with the U.S. Postal Inspection Service and the U.S. Attorney's Office.

### **Connecticut Man Pleads Guilty to Larceny and Forgery**

A Connecticut man pled guilty in state court to larceny and forgery for submitting false information to SBA following Hurricane Sandy. He had submitted falsified documents, including construction receipts and checks, to obtain a \$46,600 SBA disaster assistance loan. The investigation found that the work claimed for the loan proceeds had never been done and receipts of the completed work

were falsified. His wife was previously charged, and her matter is pending before the court. This investigation is being conducted jointly with the Stafford, CT, Police Department and is being handled by the Connecticut State Attorney Office.

### **Florida Woman Ordered to Pay Restitution for Hurricane Sandy Fraud**

A Florida woman was sentenced in New Jersey State Court to 24 months of probation and was ordered to pay \$243, 226 in restitution minus any payment already made on her \$126,600 SBA disaster home loan for filing false applications to collect federal relief funds after Hurricane Sandy. She previously had pled guilty to theft by deception. The woman had obtained grants from FEMA, the Homeowner Resettlement Program (RSP), and the Reconstruction, Rehabilitation, Elevation and Mitigation (RREM) Program. The latter two are funded by HUD and administered by the New Jersey State Department of Community Affairs (DCA).

On the date of sentencing, the woman paid \$5,090 to FEMA, \$10,000 for her RSP grant, \$101,536 for her RREM grant, and \$111,407 to SBA. She had alleged that her primary residence was located in a certain New Jersey city, when in fact that property was a secondary home. This case was investigated jointly by the Hurricane Sandy Fraud Task Force, which is comprised of SBA OIG, HUD OIG, DHS OIG, the New Jersey Department of Criminal Justice, and DCA, under the direction of the New Jersey Office of the Attorney General.

### **Florida Man to Pay Restitution for Disaster Fraud and Ponzi Scheme**

A Florida man pled guilty in federal court to making false statements. In addition, he was ordered to pay \$50,000 restitution to SBA. The investigation revealed that the man provided false information and submitted fraudulent documentation on the SBA disaster loan application. As a result of the false information, he obtained a \$65,300 SBA disaster loan for damages he claimed he sustained to his residence from Hurricane Irma. The investigation also found that the majority of the SBA disaster loan funds were transferred to his business bank account to pay business expenses and prior investors in a \$600,000 to \$700,000 Ponzi scheme involving real estate investments in Costa Rica. This was a joint investigation with the FBI.

## **Procurement Assistance**

Each year, the federal government spends hundreds of billions of dollars in federal contracts to procure goods and services. SBA has worked to maximize opportunities for small business firms to receive these contract awards. For the current fiscal year, the federal government aims for 23 percent of these award dollars to go to small businesses.

To accomplish this goal, SBA has specific programs which focus on strengthening particular types of small businesses, including firms owned and controlled by service-disabled veteran-owned small businesses (SDVOSBs) and women-owned small businesses (WOSBs), and small businesses that are disadvantaged or located in historically underutilized business zones (HUBZones). For example, the HUBZone Program helps small businesses stimulate their economically challenged local economies. Similarly, to help small, disadvantaged businesses gain access to federal and private procurement markets, SBA's Section 8(a) Business Development Program offers a broad range of business development support, such as mentoring, procurement assistance, business counseling, training, financial assistance, surety bonding, and other management and technical assistance.

SBA also provides assistance to existing and prospective small businesses through a variety of counseling and training services offered by partner organizations. Among these partners are small business development centers (SBDCs), the SCORE Association, and women's business centers. SBA also designed the Boots to Business Program to provide transitioning service members interested in exploring business ownership or other self-employment opportunities with technical assistance and access to information on available resources and on start-up capital. These programs require effective and efficient management, outreach, and service delivery.

Even with effective controls, some businesses misrepresent their eligibility for the HUBZone, WOSB, SDVOSB, and 8(a) programs in order to wrongfully receive preference for government contracts. OIG and other federal investigations have identified schemes in which companies owned or controlled by nondisadvantaged persons falsely claim to be disadvantaged firms or use actual disadvantaged firms as fronts. In other schemes, perpetrators use bribery or fraudulent procurement documents to achieve their ends.

### **SBA's Women-Owned Small Business Contracting Program**

This audit report presents the results of our audit of SBA's Women-Owned Small Business (WOSB) Federal Contracting Program (Program) with the objectives to determine (1) whether contracts awarded on a sole-source basis complied with requirements of the Program and (2) whether firms that received set-aside contracts on a sole-source basis conformed to the self-certification requirements. The purpose of SBA's WOSB Program is to provide greater access to federal contracting opportunities for firms that are women-owned small businesses and economically disadvantaged women-owned small businesses that meet Program requirements.

We found that federal agencies' contracting officers and firms did not comply with federal regulations for 50 of the 56 Program sole-source contracts, valued at \$52.2 million. As a result, there was no assurance that these contracts were awarded to firms that were eligible to receive sole-source awards under the Program. OIG recommended that SBA establish and implement a certification process as required and provided five additional recommendations to improve SBA's oversight of the Program. SBA's management planned actions resolve one recommendation. OIG will work with SBA management to resolve the remaining five recommendations through the audit follow-up process. (Access Report 18-18 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-18-18.pdf>.)

### **The Small Business Administration's Boots to Business Program**

This audit report presents the results of our audit of SBA's Boots to Business Program with the objectives to determine whether SBA's oversight of the Boots to Business Program ensured (1) efficiency of program operations, (2) that the program achieved its goals and objectives, and (3) that recipients complied with the cooperative agreement requirements. The purpose of SBA's Boots to Business Program is to provide service members interested in exploring business ownership or other self-employment opportunities with the information to develop business plans and to connect service members to SBA resource partners and start-up capital.

We found that even though SBA made improvements to the program, SBA could make further improvements to better reach the target population and increase participation in the program. Additionally, we found that SBA did not meet its established performance goals for the number of participants or the graduation rate from the 8-week course. We also found SBA did not ensure that recipients measured and reported performance outcomes. Furthermore, one of the recipients we reviewed did not report its B2B program costs separately in its annual budget and financial reporting. Consequently, SBA could not determine what the recipient spent on the B2B program or assess the validity of the reimbursement requests. Because the recipient did not separate its B2B expenditures, we consider \$419,912 of the recipient's cooperative agreement award as unsupported questioned costs.

OIG recommended seven recommendations to enhance the overall management and effectiveness of the Boots to Business Program. SBA's planned actions resolved three recommendations and closed two of the three resolved recommendations. OIG will work with SBA management to resolve the remaining four recommendations through the audit follow-up process. (Access Report 18-20 <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-18-20.pdf>.)

### **Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes**

This report presents the results of our audit of SBA's oversight of 8(a) Business Development Program [8(a) program] continuing eligibility processes with the objective to determine whether SBA's oversight ensured 8(a) program participants met continuing eligibility requirements. The

purpose of this program is to promote the business development and competitive viability of small business concerns owned and controlled by socially and economically disadvantaged people.

We found that SBA did not consistently identify ineligible firms in the 8(a) program and did not always act to remove firms it determined were no longer eligible for the program. In addition, SBA did not perform required continuing eligibility reviews when it received specific and credible complaints regarding firms' eligibility and did not log all complaints. We found that 20 of 25 firms we reviewed should have been removed from the 8(a) program. These firms received \$126.8 million in new 8(a) set-aside contract obligations in FY 2017 at the expense of eligible disadvantaged firms.

We made 11 recommendations to improve the overall management and effectiveness of 8(a) program continuing eligibility processes. Management either agreed or partially agreed to address these recommendations; however, six recommendations are pending resolution. OIG will work with SBA management to resolve these recommendations through the audit follow-up process. (Access Report 18-22 at [https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report\\_18-22.pdf](https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report_18-22.pdf).)

### **Pass-Through Scheme Results in Penalties**

The former CEO of a large foreign-based company agreed to pay \$20,000 to the U.S. government to settle civil claims relating to his involvement in a scheme to use two small businesses to improperly bid on and receive set-aside contracts for which the large company was not eligible.

The government contends that, from September 2009 through September 2011, the CEO presented, and conspired to present, false claims for payment to the government in violation of the False Claims Act. The violations involved the large company's improper affiliation with the two small businesses and SBA subcontracting limitations with respect to small business set-aside contracts.

In addition, the owner of one of the small Georgia businesses was sentenced in federal court to 3 months of incarceration, 3 months of home confinement, and 3 years of probation for participating in unlawful kickbacks.

From approximately February 2015 to March 2017, the owner acted as a prime contractor on federal small business set-aside contracts for the servicing of portable toilets. He also solicited and accepted monetary kickbacks from a large company that was prohibited from bidding on and receiving such contracts. The owner did so as part of an illegal pass-through scheme where his firm received the small business set-aside contract, but the large company actually performed the work.

Specifically, the owner self-certified that his firm was a small business according to all SBA rules and regulations. He also agreed that he could not subcontract more than 50 percent of his firm's labor costs to a large business. Subsequently, his firm won three 100 percent small business set-aside contracts to service portable toilets at two U.S. Army posts and one U.S. Marine Corps base. Thus far, the dollar value of the contracts exceeds \$2.5 million.

The investigation showed that his firm possessed no employees or equipment and thus could not perform the required work. The owner entered into an agreement to illegally pass through the work servicing the portable toilets to a large company prohibited from being awarded small business set-aside contracts. He invoiced the U.S. government monthly for work purportedly performed by his firm, kept 8 percent of the revenues as his “commission,” and passed through 92 percent of the revenues to the large company as payment for servicing the portable toilets. This matter is being jointly investigated with the Defense Criminal Investigative Service (DCIS), U.S. Army Criminal Investigation Command, and the Naval Criminal Investigative Service (NCIS).

### **Missouri Veteran Pleads Guilty to Wire and Program Fraud**

A Missouri veteran pled guilty in federal court in Kansas City, KS, to wire fraud and major program fraud in connection with his role to defraud the U.S. Department of Defense. From roughly August 2008 to September 2015, he and a medical design construction firm fraudulently claimed SDVOSB status to obtain a federal government contract to which the firm would not otherwise have been entitled. On approximately May 1, 2009, the U.S. Army Corps of Engineers (USACE) awarded a multiple award indefinite quantity task order contract (MATOC) to the firm totaling \$40 million. The MATOC was issued for construction and “design build” for healthcare facilities for the U.S. Air Force, U.S. Army, and other USACE customers. A representative of the firm had approached the veteran to become a straw owner in order to obtain set-aside contracts. Subsequently, the veteran posed as a figurehead so that the firm could gain the MATOC in exchange for providing monetary compensation for his participation. This investigation is being conducted in conjunction with the DCIS, U.S. General Services Administration (GSA) OIG, and U.S. Army Criminal Investigation Command.

### **8(a) Conspirators Sentenced and to Forfeit More Than \$4.2 Million in Georgia**

An employee of a large defense contractor was sentenced in federal court to 5 years of imprisonment and 3 years of supervised release. In addition, he was fined \$50,000 and ordered to forfeit \$1,273,440. The forfeiture represents wages, salaries, and other compensation he received from his employment with the defense contractor. The large defense contractor had utilized a retired U.S. Army colonel’s Section 8(a) communications and engineering firm as a front company to obtain government contracts, including 8(a) set-aside contracts, in the Augusta, GA, area. The defense contractor employee had previously been found guilty of conspiracy to commit offenses against the United States. He, along with a second U.S. Army colonel and that colonel’s wife, originally had been indicted for their participation in a bribery and kickback scheme that directed 8(a) contracts to the firm owned by the retired army colonel.

The retired colonel (and owner) was sentenced in federal court to 5 years of imprisonment and 3 years of supervised release. He was fined \$100,000 and forfeited to the U.S. government \$3,000,000 in proceeds earned by his now defunct 8(a) firm. He had previously pled guilty to conspiracy to commit offenses against the United States.

Finally, a retired U.S. Army lieutenant colonel was sentenced in federal court to 2 years of probation and 60 hours of community service. He was also ordered to pay a \$3,120 fine for violating the restriction on postemployment communications and appearances.

The investigation showed that, from 2008 and lasting almost a decade, the second colonel, his wife, the defense contractor employee, and others conspired to solicit and accept bribes in exchange for rigging the award of more than \$20 million in U.S. Army and private company contracts to the 8(a) firm.

Before the owner's retirement from active duty, he had established the firm with the plan to obtain 8(a) status and have the second colonel steer contracts to it in exchange for bribes. The second colonel provided the owner and the defense contractor employee with internal, confidential, and proprietary U.S. Army contract information, and signed sole source justifications to ensure the future 8(a) firm was awarded U.S. Army contracts and remained the prime contractor. In addition, the second colonel and his wife used a shell company to funnel and conceal the bribe payments from the 8(a) firm owner. The defense contractor employee fraudulently arranged for employees of other government contracting firms to perform work awarded to the 8(a) firm, since it had no employees other than the owner.

Beginning in early 2009, the owner of the future 8(a) firm applied for 8(a) status. He and the defense contractor employee prepared fraudulent documents for SBA as part of the firm's 8(a) application. Specifically, the firm's fraudulently obtained contracts, along with fraudulent invoices for work done by nonexistent employees, were submitted to SBA as proof of the past business performance. The firm obtained 8(a) status in July 2010 and began receiving contracts as a result of the conspiracy.

The lieutenant colonel had a major role in drafting sensitive procurement documents for contracts bid on, and ultimately obtained by, the 8(a) firm to perform work for the U.S. Army.

Because of this role, he was permanently prohibited from obtaining contracts or performing work on behalf of the 8(a) firm. However, even before retiring from active duty, he sent sensitive acquisition documents to his personal business email account to assist the 8(a) firm's bid to obtain U.S. Army contracts. He even joined the 8(a) firm as a contract employee and worked on the same contracts he was involved with while on active duty. To conceal his illegal actions, he made material false statements to investigators.

The conspiracy continued until an ongoing investigation by law enforcement agents became overt in late 2015. Upon realizing this, the defendants conspired to make false statements to government agents and provide fraudulent invoices claiming services on behalf of the 8(a) firm as a subcontractor to the woman's business. All of this was done to obstruct the investigation. This investigation is being conducted jointly with DCIS and the U.S. Army Criminal Investigation Command.

### **Virginia Men Plead Guilty in Contracting Fraud Scheme**

A Virginia man pled guilty in federal court to aiding and abetting a false statement. He helped draft a letter delivered to SBA that falsely represented the eligibility of a company to receive set-aside contracts under the WOSB Program.

A second Virginia man pled guilty in federal court to making a false statement to SBA. He had signed a letter which falsely represented the eligibility of the above company to receive set-aside contracts under the 8(a) program.

Finally, the U.S. Department of the Navy suspended the above two men, two other individuals, the above company, and one other company. The suspensions are related to a fraudulent scheme in which a diving supply firm used the two companies above as pass-through entities in order to improperly obtain set-aside contracts for which the diving supply firm was not eligible. The four individuals were owners and/or principals of the two pass-through companies. This case is being worked as a joint investigation with the DCIS, GSA OIG, NCIS, Homeland Security Investigations, and FBI.

### **Utah Man Sentenced to Incarceration Plus Earlier \$640,000 Forfeiture**

A Utah business owner was sentenced in federal court to 24 months in federal custody and 36 months of probation. He had previously been ordered to forfeit \$640,000 and had pled guilty to wire fraud and money laundering.

The investigation disclosed that, in 2009, he had formed the business and identified his father-in-law—a service-disabled veteran—as the 51 percent owner and president. From 2009 through 2015, the owner certified the business as an SDVOSB with the U.S. Department of Veterans Affairs (VA) and the System for Award Management. However, the father-in-law had significantly diminished mental capacity, thus rendering him physically incapable of controlling the firm's day-to-day operations. During this period, the true business owner operated the firm, and the firm received numerous SDVOSB set-aside contracts totaling more than \$16 million. Thus, the true owner falsely represented his firm as an SDVOSB, and was awarded set-aside contracts to which it was not entitled. This is a joint investigation with the DCIS, VA OIG, GSA OIG, IRS CI, U.S. Army Criminal Investigation Command, NCIS, and FBI.

### **Prime Contractor to Pay \$3.2 Million Under Settlement Agreement**

Under a new settlement agreement, a prime contractor will pay \$3.2 million to the United States and \$643,000 for attorney fees and other costs to the private party that acted on the government's behalf. In 2005, a multibillion-dollar, 10-year contract was awarded to the prime contractor by the U.S. Department of Energy (DOE) for the environmental restoration, cleanup, and closure of a nuclear site in Washington State. The contract required the prime contractor to establish and implement a small business subcontracting plan in accordance with SBA requirements. As originally alleged, the prime contractor used front companies to claim women-owned small business and

HUBZone small business credit, when a large nonconforming business actually performed the work. Accordingly, the prime contractor submitted false claims for payment to DOE. The settlement agreement reached between the United States and the prime contractor is neither an admission of liability by the contractor nor a concession by the United States that its claims are not well founded.

### **South Carolina Woman Sentenced to Prison and to Forfeit More Than \$2.6 Million**

A South Carolina woman was sentenced in federal court to 72 months of incarceration and 3 years of probation. She was also ordered to pay a forfeiture of \$2,672,000. The woman previously had pled guilty to wire fraud in connection with contracting schemes.

In one scheme, she and a man created a contracting firm. The woman then used her employment with another company to create a paper trail of fictitious jobs performed by the contracting firm as a subcontractor to her employer. She then created fictitious invoices on behalf of the contracting firm for the purported work and submitted the fictitious invoices to a funding company. That company purchased the fictitious accounts receivable through a factoring agreement and wired approximately \$2,672,700 to a bank account controlled by the defendants.

This is a joint investigation with the DCIS, U.S. Department of Agriculture OIG, the U.S. Army Criminal Investigation Command, DOE OIG, U.S. Air Force Office of Special Investigations, and VA OIG.

### **Arkansas Men to Forfeit More Than \$1.4 Million**

Three Arkansas men pled guilty in federal court to conspiracy to commit wire fraud. Upon conviction, the men will forfeit money judgements of \$1,028,142; \$250,000; and \$125,697 respectively.

In 2007, a firm entered the SBA 8(a) program. After the death of its owner, one of the men took over the company and submitted false documents to SBA to retain the firm's eligibility. Official forms claimed that the man's nephew owned and controlled the firm, when the man actually controlled the company and would sign his nephew's name on SBA forms without his consent.

The company used its 8(a) status to enroll in the Federal Surplus Property (FSP) donation program, which affords members access to surplus property not available to the public at discounted rates. In joining the program, the firm agreed not to sell, rent, or lease FSP property until it had been out of the 8(a) program for 1 year. Two of the men would visit the FSP depot to inspect equipment, usually heavy construction items such as bulldozers. To acquire a desired piece of property, the company would send a justification email to SBA stating what the equipment would be used for. SBA would then rely on these statements to inform FSP officials that the firm was eligible to receive the property. Accordingly, company representatives would visit the FSP lot to pay the discounted fee, collect the property, and sign a corresponding invoice.

From around October 2011 through July 2015, one man submitted false justification emails to SBA to acquire FSP donated surplus property. Two of the men would then sell the equipment to a third party, in violation of the program rules.

The third man, being familiar with the depot and FSP, abused the program by acquiring surplus property for resale. He would also help one of the other men in this capacity by soliciting several third parties to whom he sold donated surplus property. The other man would compensate the third man by paying him a finder's fee for each sale. This investigation was conducted jointly with the GSA OIG and FBI.

### **Wisconsin Man and His Firm to Pay \$629,732**

A Wisconsin man and his firm agreed to pay \$629,732 to resolve False Claims Act violations related to the U.S. Department of Transportation's (DOT's) Disadvantaged Business Enterprise (DBE) program. He previously had been charged with conspiracy to defraud the United States.

According to the settlement, the man's firm was not eligible to participate in the DBE program. He and others conspired to obtain a fraudulent DBE certification for another entity, a construction company. The individuals then used the construction company's improper DBE certification to obtain ready-mix concrete contracts based on the false representation that the construction company provided ready-mix concrete independently when, in reality, the man's firm and its employees performed almost all of the work. All of the profits from the construction company's ready-mix concrete contracts passed through to the man's firm, and ultimately to him and his co-owner.

In the related criminal case, the firm's owner pled guilty to conspiracy to use the construction company's DBE status to win government-funded contracts. This settlement resolves related civil allegations that the man and his firm caused the submission of false claims to the government and thus improperly obtained government funds. As a result of the settlement, the federal government will receive \$629,732. This is an ongoing joint investigation with the FBI, DCIS, U.S. Army Criminal Investigation Command, GSA OIG, DOT OIG, Defense Contract Audit Agency, and VA OIG.

## Agency Management

OIG is responsible for ensuring that Agency management appropriately safeguards SBA from fraud, waste, and abuse, and that SBA activities directly further Agency goals. As part of these efforts, OIG works with the Offices of the Chief Financial Officer, the Chief Information Officer, and the Chief Operating Officer to review financial reporting and performance management, human resources, procurements and grants, space and facilities, and maintenance of SBA's information systems and related security controls.

### SBA's FY 2017 Progress in Reducing Improper Payments

The objectives of our evaluation were (1) to determine whether SBA complied with Improper Payments Elimination and Recovery Act of 2010 (IPERA) using guidelines outlined in the Office of Management and Budget Memorandum M-15-02, Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, and (2) to assess SBA's progress in remediating improper payment-related recommendations. To achieve our objectives, we assessed controls SBA has implemented to address prior year OIG recommendations and evaluated whether SBA mitigated those risks. We also assessed SBA's efforts to prevent and reduce improper payments and reviewed the accuracy and completeness of improper payment disclosures in the 2017 Agency Financial Report (AFR).

Our overall qualitative review of Agency efforts to prevent and reduce improper payments showed that SBA continued to maintain adequate controls to prevent and reduce improper payments. Further, SBA was generally compliant in meeting the minimum requirements in accordance with Office of Management and Budget guidance. In accordance with IPERA, SBA published and posted an AFR on its website, conducted program-specific risk assessments, and published improper payment estimates for all programs and activities identified as susceptible to significant improper payments. SBA also published extracts from the applicable programmatic corrective action plans in the AFR for three of five areas tested for FY 2017 reporting, and it met and published the annual reduction target for three of the applicable five areas tested. However, SBA was not compliant with IPERA reporting requirements because disbursements for disaster direct loans had an improper payment rate that exceeded the 10 percent threshold. SBA's improper payment rate for disaster direct loan disbursements more than doubled, from 5.32 percent in FY 2016 to 13.65 percent in FY 2017. SBA management attributed the increase in the disaster improper payment rate to SBA loan officers not providing justifications when they approved loans exceeding SBA's guidelines for repayment ability, documenting insurance coverage, or properly determining eligible loan amounts as a result of insurance or other payments received by the borrower related to the disaster. Also, 7(a) loan guaranty purchases and disbursements for disaster direct loans did not meet their annual reduction target.

The report contains two recommendations to improve the effectiveness of improper payment controls. Both recommendations will remain open until OIG receives documentation demonstrating

that these recommendations have been addressed. We requested that SBA provide us within 90 days their progress in addressing these recommendations. (Access Report 18-17 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-18-17.pdf>.)

### **FY 2018 Risk Assessment of SBA's Charge Card Programs**

This report presents the results of our risk assessment of SBA's charge card programs for FY 2018. This risk assessment was performed in accordance with the Office of Management and Budget Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012. Our objectives were to (1) assess risks of illegal, improper, or erroneous purchases and payments associated with SBA's purchase and travel card programs and (2) determine the status of prior year recommendations.

Our assessment showed that the risk of illegal, improper, or erroneous use of SBA's purchase and travel charge cards is low due to the Agency's continuous monitoring and related oversight efforts. SBA continued to implement controls, policies, and procedures to administer its purchase and travel charge card programs but needs to take additional measures for administrative controls over its purchase cards program. We made three recommendations to strengthen SBA's risk management controls for the purchase card program. The Agency agreed to implement the recommendations. (Access Report 18-24 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-18-24.pdf>.)

### **SBA Controls Over FY 2017 and 2018 Cash Contributions and Gifts**

This report presents the results of OIG's semiannual review of SBA's controls over cash contributions and gifts for FYs 2017 and 2018. Our objective was to determine the adequacy of SBA controls over the solicitation, acceptance, holding, and utilization of cash contributions and gifts in FYs 2017 and 2018.

The Consolidated Appropriations Acts of 2017 and 2018 (the Acts) granted SBA the authority to accept gifts and to cosponsor activities. The Administrator may solicit and accept gifts on behalf of SBA after proper approvals, including a conflict of interest determination by SBA's Office of General Counsel. Authorized purposes for which gifts may be solicited or accepted include, but are not limited to, gifts in support of cosponsored activities, SBA-sponsored activities, general SBA marketing and outreach activities, and other activities that further the mission of the Agency, as determined by the Administrator or designee.

We found that SBA complied with the Acts when accepting and holding cash by depositing \$2,702.00 to the Business Assistance Trust Fund and making it available to program offices for expenditure. No gifts were solicited during our scope period. However, improvement is needed in the Agency's controls over the utilization of gift funds in accordance with SBA regulations and policies. Specifically, we noted exceptions regarding the tracking of gift funds that were allotted to the program offices. The report contains two recommendations that the Agency agreed to implement. (Access Report 18-25 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-18-25.pdf>.)

## **Other Significant OIG Activities**

### **OIG Background Investigations Ensure Integrity**

During this reporting period, OIG initiated 33 background investigations and issued 5 security clearances for OIG employees and contractors. Moreover, OIG adjudicated 10 background investigative reports. Finally, OIG processed 1,051 internal name check requests for Agency activities such as success stories and “Small Business Person of the Year” nominees.

### **OIG Promotes Debarment and Other Administrative Enforcement Actions**

OIG promotes program integrity by making present responsibility referrals to SBA and to other agencies. These present responsibility referrals often result in suspensions, debarments, and similar administrative enforcement actions. These actions protect taxpayer funds from parties that are not a good risk for the government. A typical OIG referral contains a summary of allegations, suggested administrative record (evidence supporting the case), and a draft notice of suspension or proposed debarment in certain instances. Most OIG administrative referrals involve SBA’s loan and contract programs. OIG ensures a suspension and debarment official reviews all appropriate allegations arising in other contexts, such as the investigation of False Claims Act qui tam cases. During this reporting period, OIG sent 16 of these present responsibility referrals to SBA and had 35 actions taken based upon referrals to other agencies.

### **OIG Provides Training to Multiple Agencies on Small Business Procurement Integrity**

On July 12, 2018, SBA OIG, along with presenters from the U.S. Department of Justice and the National Science Foundation OIG, presented the fourth annual Small Business Procurement Integrity Seminar, in partnership with the Council of the Inspectors General on Integrity and Efficiency (CIGIE). An audience of 74 oversight professionals attended this training session. The participating organizations have oversight duties for agencies responsible for most federal small business procurement spending. The 74 participants included a broad cross section of investigators, auditors, attorneys, and support personnel drawn from more than 40 federal oversight bodies. Attendees received a basic understanding of the small business procurement programs, fraud schemes, and how to develop material in support of small business cases.

### **OIG Reviews of Proposed Agency Regulations, Operating Procedures, and Other Initiatives Lead to Improved Program Controls to Reduce Fraud, Waste, Abuse, and Inefficiencies**

As part of OIG’s proactive efforts to promote accountability and integrity and reduce inefficiencies in SBA programs and operations, OIG reviews changes that SBA proposes to make to its program directives, such as regulations, internal operating procedures, Agency policy notices, and SBA forms completed by the public. OIG often identifies material weaknesses in the proposals and works with the Agency to promote more effective controls and deter waste, fraud, or abuse. During the reporting period, OIG reviewed 58 proposed revisions of these program directives and submitted comments designed to improve 23 of these initiatives.

## **2004 Legislation Requires SBA Regulations and OIG Approval of SBDC Surveys**

In December 2004, Congress amended Section 21(a)(7) of the Small Business Act (15 U.S.C. 648(a)(7)) to restrict disclosing information regarding individuals or small businesses that have received assistance from a Small Business Development Center (SBDC) and to limit the Agency's use of such information. The provision also required SBA to issue regulations regarding disclosures of such information for use in conducting financial audits or SBDC client surveys. In 2009, the Agency represented to OIG that it would issue regulations as required by the statute. In April 2014, SBA sent the proposed regulations for publication in the Federal Register for public comment.

In addition, Section 21(a)(7) of the Small Business Act states that until these SBDC information disclosure regulations are issued, the Inspector General must approve any SBDC client survey, as well as the use of any survey information, and must also include this approval in OIG's Semiannual Report to Congress. SBA did not submit any surveys of SBDC clients for OIG review during the reporting period.

## **OIG Hotline**

OIG's Hotline reviews allegations of waste, fraud, abuse, or serious mismanagement within SBA or its programs from employees, contractors, and the public. During this reporting period, Hotline received 406 complaints. The Hotline conducts a preliminary review of each allegation and may consult with OIG's Investigations Division, Audits Division, and Office of Counsel to determine the appropriate course of action. Referrals within OIG may result in corrective actions, audits, or administrative, civil, or criminal investigations. Matters referred to SBA program offices for further action are monitored by Hotline staff for timely response, for adequate resolution of the allegations, and to document any corrective action taken.

In July 2018, the OIG whistleblower ombudsman was recertified under the Office of Special Counsel (OSC) 2302(c) Certification Program. The Program requires federal agencies to inform their workforces about the rights and remedies available to them under the Whistleblower Protection Act, the Whistleblower Protection and Enhancement Act, and related civil service laws. In accordance with the certification requirements, the whistleblower ombudsman provided training to all OIG and Agency employees on protections against whistleblower retaliation and other prohibited personnel practices. SBA OIG was initially certified in 2015. Agencies must request OSC recertification every 3 years.

Comprehensive information on whistleblower protection may be found on OIG's website at <https://www.sba.gov/oig/whistleblower-rights-and-protection>.

## Reporting Period Statistical Highlights

### Summary of OIG Dollar Accomplishments

Dollar Accomplishments As a Result of Investigations and Related Activities	
Potential Investigative Recoveries and Fines	\$14,243,165
Asset Forfeitures Attributed to OIG Investigations	\$5,153,420
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$0
Investigations Subtotal	\$19,396,585
Dollar Accomplishments As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$2,654,968
Recommendations That Funds Be Put to Better Use Agreed to by Management	0
Audit Subtotal	\$2,654,968
Total OIG Dollar Accomplishments	\$22,051,553

### Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-up Activities

Reports Issued	11
Recommendations Issued	35
Dollar Value of Costs Questioned	\$182,204,025
Dollar Value of Recommendations That Funds Be Put to Better Use	\$0
Recommendations for Which Management Decisions Were Made	30
Recommendations Without a Management Decision	8
Collections as a Result of Questioned Costs	\$105,473

### Indictments, Convictions, and Case Actions

Indictments From OIG Cases	41
Convictions From OIG Cases	24
Cases Opened	37
Cases Closed	30

### SBA Personnel Actions Taken as a Result of Investigation

Dismissals	0
Resignations/Retirements	0
Suspensions	0
Reprimands	0
Other	0

### Program Actions Taken During the Reporting Period as Result of OIG Action

Present Responsibility Referrals to the Agency	16
Pending at the Agency as of September 30, 2018	36*
Suspensions Issued by the Agency	1
Proposed Debarments Issued by the Agency	6
Final Debarments Issued by the Agency	1
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	0
Present Responsibility Actions by Other Agencies	35

\*OIG does not count matters where SBA has ceded lead agency as declinations.

## Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	58
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	23

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## Full Year Statistical Highlights, FY 2018

### Summary of OIG Dollar Accomplishments

Dollar Accomplishments As a Result of Investigations and Related Activities	
Potential Investigative Recoveries and Fines	\$55,373,556
Asset Forfeitures Attributed to OIG Investigations	\$22,930,190
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$727,039
Investigations Subtotal	\$79,030,785
Dollar Accomplishments As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$145,441,774
Recommendations that Funds Be Put to Better Use Agreed to by Management	0
Audit Subtotal	\$145,441,774
Total OIG Dollar Accomplishments	\$224,472,559

### Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-up Activities

Reports Issued	26
Recommendations Issued	111
Dollar Value of Costs Questioned	\$186,580,293
Dollar Value of Recommendations That Funds Be Put to Better Use	\$0
Recommendations for Which Management Decisions Were Made	119
Recommendations Without a Management Decision	8
Collections as a Result of Questioned Costs	\$2,852,261

### Indictments, Convictions, and Case Actions

Indictments From OIG Cases	62
Convictions From OIG Cases	43
Cases Opened	73
Cases Closed	63

### SBA Personnel Actions Taken as a Result of Investigation

Dismissals	2
Resignations/Retirements	1
Suspensions	0
Reprimands	0
Other	0

### Program Actions Taken During the Fiscal Year as Result of OIG Action

Present Responsibility Referrals to the Agency	84
Pending at the Agency as of September 30, 2018	36
Suspensions Issued by the Agency	20
Proposed Debarments Issued by the Agency	25
Final Debarments Issued by the Agency	17
Proposed Debarments Declined by the Agency	0*
Administrative Agreements Entered by the Agency in Lieu of Debarment	1
Present Responsibility Actions by Other Agencies	47

\*OIG does not count matters where SBA has ceded lead agency as declinations.

## Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	114
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	43

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## Reports Issued

### Disaster Assistance Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Inspection of SBA's Initial Disaster Assistance Response to Hurricane Irma	18-16	4/26/2018	\$0	\$0
Inspection of SBA's Initial Disaster Assistance Response to Hurricane Maria	18-19	7/19/2018	\$0	\$0
Program Subtotal	2	—	\$0	\$0

### Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
SBA's FY2017 Progress in Reducing Improper Payments	18-17	5/15/2018	\$0	\$0
FY 2018 Risk Assessment of SBA's Charge Card Programs	18-24	9/20/2018	\$0	\$0
SBA Controls Over FY 2017 and 2018 Cash Contributions and Gifts	18-25	9/20/2018	\$0	\$0
Program Subtotal	3	—	\$0	\$0

### Credit/Capital Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
High Risk 7(a) Loan Review Program	18-21	8/15/2018	\$1,351,565	\$0
OIG High Risk 7(a) Loan Review Program	18-23	9/13/2018	\$1,303,403	\$0
Consolidated Results of the Office of Inspector General High Risk 7(a) Loan Review Program	18-26	9/27/2018	\$0	\$0
Program Subtotal	3	—	\$2,654,968	\$0

### Contracting/Counseling Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
SBA's Women-owned Small Business Contracting Program	18-18	6/20/2018	\$52,229,145	\$0
The Small Business Administration's Boots to Business Program	18-20	7/19/2018	\$419,912	\$0
Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	18-22	9/7/2018	\$126,900,000	\$0
Program Subtotal	3	—	\$179,549,057	\$0

## Reports With Questioned Costs

	Reports	Recommendations*	Questioned Costs**	Unsupported Costs***
A. No management decision made by April 1, 2018	0	0	\$0	\$0
B. Issued during this reporting period	5	9	\$182,204,025	\$55,304,025
Subtotal (Universe from which management decisions could be made in this reporting period)	5	9	\$182,204,025	\$55,304,025
C. Management decisions made during this reporting period	5	9	\$182,204,025	\$55,304,025
(i) Disallowed costs	2	4	\$2,654,968	\$2,654,968
(ii) Costs not disallowed	3	5	\$179,549,057	\$52,649,057
D. No management decision made by September 30, 2018	0	0	—	—

\* Reports may have more than one recommendation.

\*\* Questioned costs are those that are found to be improper.

\*\*\* Unsupported costs may be proper, but lack documentation. Unsupported costs are a subset of questioned costs.

## Reports With Recommendations That Funds Be Put to Better Use

	Reports	Recommendations	Recommended Funds For Better Use
A. No management decision made by April 1, 2018	—	—	—
B. Issued during this reporting period	—	—	—
Subtotal (Universe from which management decisions could be made in this reporting period)	—	—	—
C. Management decisions made during this reporting period	—	—	—
(i) Recommendations agreed to by SBA management	—	—	—
(ii) Recommendations not agreed to by SBA management	—	—	—
D. No management decision made by September 30, 2018	—	—	—

## Reports From Prior Periods With Overdue Management Decisions

There were no reports from prior periods with overdue management decisions.

## Reports From Prior Periods With Open Recommendations as of September 30, 2018

Report Number	Title	Date Issued	Number of Open Recommendations	Aggregate Potential Cost Savings
12-04	Small Business Administration's Rationale for Excluding Certain Types of Contracts from the Annual Small Business Procurement Calculations Needs to be Documented	12/6/2011	4	—
14-12	Weaknesses Identified During the FY 2013 Federal Information Security Management Act Review	4/30/2014	1	—
15-07	Weaknesses Identified During the FY 2014 Federal Information Security Management Act Review	3/13/2015	1	—
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	3	—
16-10	Weaknesses Identified During the FY 2015 Federal Information Security Management Act Review	3/10/2016	1	—
16-13	SBA's 8(a) Business Development Program Eligibility	4/7/2016	1	—
17-09	Audit of New York Small Business Center's Phase 2 Technical Assistance Grant	3/31/2017	2	\$54,827
17-10	The SCORE Association's Disaster Technical Assistance Grant	3/31/2017	3	\$140,488
17-14	Weaknesses Identified During the FY 2016 Federal Information Security Modernization Act Review	6/15/2017	2	—
17-15	Reassessment of Eligibility Requirements for 30 Firms in SBA's 8(a) Business Development Program	7/17/2017	3	—
17-19	Audit of SBA's Microloan Program	9/28/2017	2	\$137,199,806
18-03	Independent Auditor's Report on the SBA's FY 2017 Financial Statements	11/14/2017	1	—
18-06	Review of SBA's Implementation of the Federal Information Technology Acquisition Reform Act (FITARA)	11/28/2017	1	—
18-07	Accuracy of the FY 2015 7(a) Loan Guaranty Purchase Improper Payments Rate	12/11/2017	7	\$2,246,579
18-13	Evaluation of SBA 7(a) Loans Made to Poultry Farmers	3/6/2018	1	—
18-14	Weaknesses Identified During the Federal Information Security Modernization Act (FISMA) Review	3/20/2018	4	—
18-15	Improvement Needed in the Accuracy of SBA Data Reported on USASpending.gov	3/20/2018	1	—
	Total		38	\$139,641,700

## Significant Recommendations From Prior Reporting Periods Without Final Action as of September 30, 2018

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
12-04	12/6/2011	Revise the Goaling Guidelines for the Small Business Preference Programs to include contracts awarded and/or performed overseas in the small business goaling baseline beginning with FY 2011.	9/23/2015	11/30/2015
15-16	9/25/2015	Develop benchmarks for contractor performance and require the FTA to implement appropriate application controls and follow-up procedures with lenders to ensure the integrity of the Form 159 database.	9/20/2018	7/31/2019
15-16	9/25/2015	Implement a process using permissible information to uniquely identify loan agents involved with SBA lending programs for tracking purposes.	7/6/2018	12/31/2018
16-13	4/7/2016	Update policy to require the AA/BD and OCE's director to clearly document their justification for approving or denying applicants into the 8(a) Program, particularly when those decisions differed from lower-level recommendations.	4/7/2016	10/31/2016
17-09	3/31/2017	Recover \$51,985 from NYSBDC for unallocable personnel costs directly charged to the Hurricane Sandy technical assistance grant.	3/13/2018	9/30/2018
17-10	3/31/2017	Develop and implement policies and procedures to ensure: <ul style="list-style-type: none"> <li>a. SCORE provides quarterly financial and performance reports as dictated in the NoA.</li> <li>b. Future disaster grants awarded to SCORE are issued separate from SCORE's core award to ensure the grant award is reported on separately by SCORE and monitored separately by SBA.</li> </ul>	4/5/2017	8/30/2018
17-10	3/31/2017	Develop and implement policies and procedures to ensure: <ul style="list-style-type: none"> <li>a. The reallocation of funds between budget cost categories is assessed for the percentage of increases and decreases on a quarterly basis.</li> <li>b. The SCORE volunteer program uses current standards for internal control in the federal government as a guide.</li> <li>c. SBA personnel conduct grant closeout procedures for SCORE's disaster grants.</li> <li>d. SCORE submits copies of proposed contracts to SBA for approval before executing the contracts.</li> </ul>	4/5/2017	8/30/2018
17-14	6/15/2017	Establish detailed policies and procedures regarding data exfiltration and implement a robust data exfiltration program across the agency.	6/13/2017	6/1/2018
17-15	7/17/2017	We recommend that the Associate Administrator for the Office of Government Contracting and Business Development: Conduct continuing eligibility reviews for the 10 firms we identified with unresolved eligibility concerns.	7/18/2017	6/30/2018

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
17-19	9/28/2017	Continue efforts to improve the information system to include outcome-based performance measurements and ensure the data captured can be used to effectively monitor the Microloan Program compliance, performance, and integrity.	1/4/2018	9/30/2019
17-19	9/28/2017	Update the microloan reporting system manual to reflect current technology capabilities.	1/4/2018	9/30/2019
18-03	11/14/2017	We recommend that the Associate Administrator for Capital Access monitor and perform procedures over the service organization's attestation report regarding user control considerations. This assessment should be performed annually.	1/10/2018	9/30/2019
18-06	11/28/2017	We recommend the CIO develop IT competency requirements for staff and leadership positions, as well as design workforce planning protocols that comply with the federal IT Acquisition Reform Act Common Baseline.	11/27/2017	5/31/2018
18-07	12/11/2017	Conduct an assessment of the 7(a) loan guaranty purchase improper payments review process to improve improper payment identification. Based on the results of the assessment, implement additional controls to ensure improper payment identification and accurate reporting of the rate.	1/3/2018	11/15/2018
18-07	12/11/2017	Require Compass Bank to bring the loan into compliance and, if not possible, seek recovery of \$12,266, plus interest, on the guaranty paid by SBA for the loan.	1/3/2018	11/15/2018
18-07	12/11/2017	Require Premier Bank to bring the loan into compliance and, if not possible, seek recovery of \$72,123, plus interest, on the guaranty paid by SBA for the loan.	1/3/2018	11/15/2018
18-07	12/11/2017	Require Coastway Community Bank to bring the loan into compliance and, if not possible, seek recovery of \$124,500, plus interest, on the guaranty paid by SBA for the loan.	1/3/2018	11/15/2018
18-07	12/11/2017	Require Home Loan Investment Bank F.S.B. to bring the loan into compliance and, if not possible, seek recovery of \$69,730, plus interest, on the guaranty paid by SBA for the loan.	1/3/2018	11/15/2018
18-07	12/11/2017	Require Newtek Small Business Finance Inc. to bring the loan into compliance and, if not possible, seek recovery of \$64,747, plus interest, on the guaranty paid by SBA for the loan.	1/3/2018	11/15/2018
18-13	3/6/2018	Review the arrangements between integrators and growers under the revised regulations, and establish and implement controls, such as supplemental guidance, to ensure SBA loan specialists and lenders make appropriate affiliation determinations.	8/31/2018	5/31/2019

## Significant Recommendations From This Reporting Period

Report Number	Title	Date Issued	Recommendation
18-17	SBA's FY 2017 Progress in Reducing Improper Payments	5/15/2018	We recommend that the Associate Administrator for Disaster Assistance establish and implement corrective action plans that address the quality of justifications for exceeding the standard MAFD.
18-17	SBA's FY 2017 Progress in Reducing Improper Payments	5/15/2018	We recommend that the Director for the Office of Financial Program Operations conduct an additional review of the potential improper payment in the amount of \$697,500, and take the appropriate corrective action, if necessary.
18-18	Audit of SBA's Women-Owned Small Business Federal Contracting Program	6/20/2018	Conduct eligibility reviews for the firms we identified in this report that lacked the required documentation in Certify.SBA.gov and require those firms to remove their designation in the System for Award Management.
18-18	Audit of SBA's Women-Owned Small Business Federal Contracting Program	6/20/2018	Implement a Women-Owned Small Business Federal Contracting Program certification process as required by the National Defense Authorization Act for FY 2015.
18-18	Audit of SBA's Women-Owned Small Business Federal Contracting Program	6/20/2018	In coordination with the Office of Federal Procurement Policy and the General Services Administration, strengthen controls in the Federal Procurement Data System-Next Generation to prevent federal agencies' contracting officers from using ineligible North American Industry Classification System codes.
18-20	Audit of SBA's Boots to Business Program	7/19/2018	Perform analysis on historical 2-day course schedules and attendance to identify trends of low attendance and adjust the frequency of the scheduled course offerings as necessary to ensure efficient use of resources.
18-20	Audit of SBA's Boots to Business Program	7/19/2018	Establish outcome-based program goals and measurements to assess whether the program achieved all its objectives.
18-20	Audit of SBA's Boots to Business Program	7/19/2018	Develop and implement policies and procedures to ensure that recipients provide complete quarterly performance reports timely, as required in the Notice of Award.
18-20	Audit of SBA's Boots to Business Program	7/19/2018	Require the program managers to assess the accuracy of the performance data provided by the recipients, including a reconciliation of the attendance records reported in Salesforce to recipient performance reports.
18-20	Audit of SBA's Boots to Business Program	7/19/2018	Require that the Veteran Business Outreach Centers report Boots to Business costs separately from other veteran activities in their budgets and reimbursement requests.
18-21	OIG High Risk 7a Loan Review Program 2018	8/15/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$799,159 on the guaranty paid by SBA.
18-21	OIG High Risk 7a Loan Review Program 2018	8/15/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$552,406 on the guaranty paid by SBA.
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to: Develop a robust system for tracking complaints that are received regarding firms' continuing eligibility for the 8(a) program, and tracking the actions taken to address the complaints.

Report Number	Title	Date Issued	Recommendation
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to: Revise its current process to ensure that it accurately identifies all high risk firms to receive continuing eligibility reviews from the Office of Certification and Eligibility.
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to: Establish and implement clear policies and procedures for evaluating 8(a) continuing eligibility, including ensuring that district offices use standardized analysis tools that conform with 8(a) continuing eligibility requirements found in 13 CFR 124, and train employees on these procedures.
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to: Develop and implement a comprehensive oversight plan to ensure completion of continuing eligibility reviews of all 8(a) firms, monitor the quality of continuing eligibility reviews, and eliminate duplication between the Office of Certification and Eligibility and the district offices.
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to: Develop and implement a centralized process to track and document all adverse actions and voluntary withdrawals from the 8(a) program, from recommendation through resolution.
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to: Establish and implement clear policies and procedures that include timelines for sending Notices of Intent to Terminate and to Graduate Early firms after eligibility issues are first identified.
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to: Establish and implement clear policies and detailed procedures, consistent with 13 CFR 124.112(c), to timely and effectively review and address complaints regarding 8(a) continuing eligibility, including communicating the content of the complaint to the district office, and train employees implementing the 8(a) program on the updated procedures.
18-23	OIG High Risk 7(a) Loan Review Program	9/13/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$448,287 plus interest on the guaranty paid by SBA.
18-23	OIG High Risk 7(a) Loan Review Program	9/13/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$855,116 plus interest on the guaranty paid by SBA.

## Significant Management Decisions With Which OIG Disagrees

There were no significant management decisions with which OIG disagrees during this reporting period.

## Significant Revised Management Decisions

There were no significant revised management decisions during this reporting period.

## Federal Financial Management Improvement Act

We did not have the auditor’s financial opinion and statements for FY2018 as of the publication date.

## Instances of Interference

There were no attempts by SBA officials to interfere with OIG independence during the reporting period.

## Investigations Reporting Statistics

### Investigative Reports Issued

Report Type	Number of Reports
Report of Investigation	34
Preliminary Case Closing Memorandum	13
Total	47

### Persons Referred for Prosecution

Referred To	Number of Persons
Department of Justice	33
State Attorney	6
Local Attorney	9
Total	48*

\*Number includes persons and entities referred for prosecution.

## Whistleblower Retaliation Cases

There were no OIG investigations of reprisal against a whistleblower closed during the reporting period.

## Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated

There were no OIG investigations involving a senior government employee where misconduct was substantiated during the reporting period.

## **Investigations Involving a Senior Government Employee That Is Closed and Not Disclosed to the Public**

There were no OIG investigations involving a senior government employee that is closed and not disclosed to the public during this reporting period.

## Legal Actions Summary

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
AK	GC	FBI, GSA/OIG	Individuals received equipment from the Federal Surplus Property Program (FSP) and subsequently sold the equipment which violated the rules of FSP. Individuals were able to receive equipment through FSP because their business was in the 8(a) program.	Three individuals charged by criminal information and pled guilty.
AZ	BL	FBI, IRS/CI	Individuals conspired to make false statements in order to obtain SBA business loans.	Individual sentenced to 30 months incarceration, 36 months of supervised release, and ordered to pay \$1,544,093 in restitution. Individual sentenced to 36 months incarceration, 36 months of supervised release, and ordered to pay \$1,544,093 in restitution. Individual sentenced to 60 months of probation and ordered to pay \$1,101,296 in restitution.
AZ	GC	Army/CID, DCIS	A company misrepresented its size as a small business to obtain a federal government contract to which the company would not otherwise be entitled.	Company entered into a civil settlement agreement in the amount of \$400,000.
AZ	BL	IRS/CI	An individual filed for bankruptcy and defaulted on an SBA-guaranteed 504 loan. Individual attempted to conceal assets during the bankruptcy proceedings which included proceeds from the SBA loan.	Individual pled guilty and agreed to pay \$1,392,000 in restitution.
CA	BL		An individual provided false statements to obtain an SBA loan and misused loan proceeds for personal benefit.	Individual charged by criminal information in conjunction with a plea agreement.
CA	DL	USSS, DHS/OIG, DOL/OIG, SSA/OIG, USPIS	An individual stole identities and fraudulently applied for disaster assistance loans.	Individual charged by criminal information.
CO	GC	FBI, DOE/OIG, VA/OIG	Individuals paid bribes in order to submit fraudulent bids from Service-Disabled Veteran-Owned Businesses (SDVOB) so those businesses would receive government contracts.	Three individuals indicted and arrested.
CT	DL	HUD/OIG	An individual falsified information in order to obtain government assistance in the aftermath of Hurricane Sandy.	Individual pled guilty.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
GA	GC	Army/CID, NCIS, DCIS	Individuals engaged in a scheme to use a small business to improperly bid on and receive set-aside contracts for which it was not eligible.	Individual was sentenced to 36 months incarceration, 3 months home confinement, 36 months of probation and agreed to pay \$150,000 to settle civil claims. Another individual was ordered to pay \$20,000. Another individual agreed to pay \$125,000 to settle civil claims.
GA	GC	Army/CID, DCIS	Individuals conspired to commit conflict of interest violations and engaged in a scheme to defraud the U.S. Army through overbilling and illegally steering 8(a) sole-source contracts.	Three individuals indicted. Another individual was indicted, pled guilty, and was sentenced to 24 months of probation, 60 hours of community service and fined \$3120. Another individual was sentenced to 60 months of incarceration, 36 months of probation, and fined \$100,000. Another individual was fined \$50,000 and ordered to forfeit \$1,273,440.
GA	BL	IRS/CI, TIGTA	An individual provided false statements by concealing criminal history on a loan application.	Individual was sentenced to 30 months incarceration, 16 months home confinement, 60 months of supervised release, and ordered to pay \$1,073,023 in restitution.
IL	BL	FRB/OIG	Individuals conspired to misrepresent their financial status in order to secure an SBA-guaranteed loan.	Three individuals indicted.
FL	DL	FBI	An individual provided false information and submitted fraudulent documentation to obtain government assistance in the aftermath of Hurricane Irma and misused loan proceeds by paying for business expenses.	Individual indicted and pled guilty.
FL	BL	FBI, IRS/CI, HUD/OIG	Individuals submitted fraudulent invoices and misappropriated loan proceeds.	Two individuals indicted.
KS	GC	DCIS, GSA/OIG	An individual fraudulently claimed SDVOSB status to obtain a federal government contract to which the company would not otherwise be entitled.	Individual pled guilty.
LA	DL	DHS/OIG	An individual used a stolen identity to obtain a disaster loan.	Individual pled guilty.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
LA	DL	USDA/OIG	An individual misused proceeds from a disaster loan and submitted false and altered documents regarding the disaster loan.	Individual entered a pretrial diversion agreement and was sentenced to 6 months of probation.
MN	BL	FBI	An individual submitted false statements to defraud an SBA lending partner by failing to disclose the existence of liens and judgments during annual renewal.	Individual was sentenced to 36 months of probation and ordered to pay \$1,347,574 in restitution.
MO	BL	FBI	An individual falsified financial documents in order to obtain an SBA loan.	Individual was sentenced to 48 months incarceration, 60 months of supervised release, ordered to pay \$1,347,608 in restitution, and ordered to forfeit \$1,207,908.
MO	BL	FBI, IRS/CI	An individual provided false information on an SBA loan application and failed to pay employment taxes.	Individual was sentenced to 24 months imprisonment, 60 months of supervised release, and ordered to pay \$1,571,578 in restitution.
NH	BL	FBI, VA/OIG	An individual made false statements on a loan application and subsequently misused loan proceeds for personal expenses.	Individual indicted and arrested.
NJ	GC	GSA/OIG, VA/OIG	An individual made false statements regarding SDVOB status in order to receive SDVOB set-aside contracts.	Individual executed agreement to pay \$84,600 to settle civil case.
NJ	DL	HHS/OIG, DHS/OIG, HUD/OIG, NJ DCA	An individual falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Individual charged by complaint summons.
NJ	DL	HHS/OIG, DHS/OIG, HUD/OIG, NJ DCA	An individual falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Individual charged by complaint summons.
NJ	DL	HHS/OIG, DHS/OIG, HUD/OIG, NJ DCA	Individuals falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Two individuals charged by complaint summons.
NJ	DL	DHS/OIG, HUD/OIG, NJ DCA	An individual falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Individual charged by complaint summons.
NJ	DL	DHS/OIG, HHS/OIG, HUD/OIG, NJ DCA	An individual falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Individual pled guilty and was sentenced to 12 months of probation and ordered to pay \$26,394 in restitution.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
NJ	DL	DHS/OIG, HUD/OIG, HHS/OIG, NJ DCA	An individual falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Individual entered pretrial intervention and ordered to pay \$34,090 in restitution.
NJ	DL	DHS/OIG, HUD/OIG, HHS/OIG, NJ DCA	An individual falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Individual pled guilty and was sentenced to 12 months of probation and ordered to pay \$228,034 in restitution.
NY	DL	DHS/OIG, HUD/OIG,	An individual falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Individual charged by criminal information and pled guilty.
NM	GC	Army/CID, DCIS, DCAA	Individuals conspired to defraud government by creating a pass through company to obtain 8(a) contracts to which the company would not otherwise be entitled.	Two individuals pled guilty.
SC	GC	Army/CID, IRS/CI, DCIS, DOE/OIG, USDA/OIG, VA/OIG	Individuals created fraudulent invoices on behalf of the subcontractor for purported work and submitted those fraudulent invoices for payment.	Individual was sentenced to 72 months incarceration, 36 months of probation, and ordered to forfeit \$2,672,000.
TX	BL	DHS/OIG	Individuals made false statements to the lender in order to obtain an SBA loan. One of the individuals also misrepresented the source of funds for the equity injection payment.	Two individuals pled guilty.
TX	DL	DHS/OIG	An individual provided false information to obtain a disaster loan and subsequently misused loan proceeds to pay off credit cards and send an international wire to Kenya, Africa in the aftermath of Hurricane Harvey.	Individual indicted.
TX	DL	DHS/OIG	An individual submitted falsified receipts and checks in support of loan requirements in the aftermath of Hurricane Harvey.	Individual indicted.
TX	DL	DHS/OIG	An individual provided false information in order to obtain government assistance in the aftermath of Hurricane Harvey.	Individual indicted.
TX	DL	DHS/OIG	An individual provided false information in order to obtain government assistance in the aftermath of Hurricane Harvey.	Individual indicted.
TX	DL	USPIS, DHS/OIG	An individual provided false information in order to obtain government assistance in the aftermath of Hurricane Irma.	Individual pled guilty.
VA	GC	FBI, NCIS, DCIS, GSA/OIG	Individuals falsely represented the eligibility of a company in order to receive set-aside 8(a) contracts to which the company would not otherwise be entitled.	Two individuals pled guilty.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
VA	BL	—	An individual falsely obtained an SBA-guaranteed loan and used loan proceeds for personal expenses. Individual also created false identification and fraudulently notarized documents by using another person's identity without consent to secure the loan.	Individual pled guilty.
Virgin Islands	GC	DOI/OIG	A company falsified certifications that they met payment obligations to their subcontractors on all applications for payment and release of funds. However, the subcontractors were never paid. Company also failed to perform 51% of the construction work on-site with its own employees as specified in the contracts.	Individual charged by criminal information.
WA	GC	DOE/OIG	A company used front companies to claim Historically Underutilized Business Zone and woman owned small business credit.	Company agreed to pay \$3.2 million to the United States.
WA	GC	Army/CID, Air Force/OSI, IRS/CI, DCIS, HHS/OIG, DHS/OIG, DOJ/OIG, GSA/OIG, VA/OIG, Commerce, State OIG	Individuals created small businesses in order to defraud the government and others through SBA set-aside contracting programs.	Individual arrested.
WA	BL	—	An individual provided false information in order to obtain an SBA-guaranteed 7(a) loan. Individual used loan proceeds to purchase space for a cannabis shop and not as described in the loan agreement.	Individual pled guilty and was sentenced to 12 months incarceration, 80 hours of community service, 12 months of supervised probation, assessed a victim assessment fee of \$500, and fined \$5000. Individual's company also pled guilty.
WI	GC	—	A company made false representations in order to receive 8(a) certification and subsequently received contracts to which the company would not otherwise be entitled.	Four individuals charged by criminal information. Two individuals and companies indicted.
WV	GC	FBI, IRS/CI, DCIS, DOL/OIG, VA/OIG	An individual submitted false information on an 8(a) application and annual review documents.	Individual was sentenced to 6 months of probation and ordered to pay a \$25 assessment fee.

### Legal Actions Summary Program Codes

BL—Business Loans

DL—Disaster Loans

GC—Government Contracting and Section 8(a) Business Development

IA—Internal Affairs

## **Joint Investigation Agency Acronyms**

Defense Contract Audit Agency (DCAA)  
Defense Criminal Investigative Service (DCIS)  
Department of Commerce Office of Inspector General (Commerce/OIG)  
Department of Energy Office of Inspector General (DOE/OIG)  
Department of Health and Human Services Office of Inspector General (HHS/OIG)  
Department of Homeland Security (DHS)  
Department of Homeland Security Office of Inspector General (DHS/OIG)  
Department of Housing and Urban Development Office of Inspector General (HUD/OIG)  
Department of Interior Office of Inspector General (DOI/OIG)  
Department of Justice Office of Inspector General (DOJ/OIG)  
Department of Labor Office of Inspector General (DOL/OIG)  
Department of State Office of Inspector General (State/OIG)  
Department of Veterans Affairs Office of Inspector General (VA/OIG)  
Federal Bureau of Investigation (FBI)  
Federal Reserve Board Office of Inspector General (FRB/OIG)  
General Services Administration Office of Inspector General (GSA/OIG)  
Internal Revenue Service – Criminal Investigation (IRS/CI)  
New Jersey Department of Community Affairs (NJ DCA)  
Social Security Administration Office of Inspector General (SSA/OIG)  
Treasury Inspector General for Tax Administration (TIGTA)  
United States Air Force Office of Special Investigations (Air Force/OSI)  
United States Army/Criminal Investigation Division (Army/CID)  
United States Department of Agriculture Office of Inspector General (USDA/OIG)  
United States Naval Criminal Investigative Service (NCIS)  
United States Postal Inspection Service (USPIS)  
United States Secret Service (USSS)

## Cosponsored and Other Activities

SBA's authorization to cosponsor events requires OIG to report to Congress on the Administrator's use of that authority semiannually. The following list of activities was provided by the Office of Strategic Alliances.

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Open Doors at The Tip O'Neill Building	Massachusetts DO - Eastern Bank, Santander Bank, HUBweek	Boston, MA	9/25/2018
Emerging Leaders 2018	Nevada DO - SCE Federal Credit Union, Bank of George, First Security Bank of Nevada, Nevada Small Business Development Center Reno, JP Morgan Chase Bank, Valley Bank of Nevada, BBSI Las Vegas Accion Nevada, Western Alliance Bank dba Bank of Nevada, Digital Impressions, LLC	Las Vegas, NV	9/18/2018
Export Trade Assistance Program	Orange County/Inland Empire DO - Riverside Community College District Inland Empire Center for International Trade Development	Moreno Valley, CA	9/18/2018
Boots to Business - Reboot	Massachusetts DO - Endicott College	Beverly, MA	9/18/2018
Boots to Business - Reboot	Nebraska DO - Great Western Bank	Lexington, NE	9/18/2018
Mentor Protégé Conference	HQ/Government Contracting & Business Development - American Small Business Alliance	Washington, DC	9/11/2018
Educational webinars, matchmaking events and workshops	Wyoming DO - Wyoming Procurement Technical Assistance Center	Statewide	9/5/2018
New Year Business Planning Workshop	Tennessee DO - Creatives Day	Nashville, TN	9/5/2018
Disaster Preparedness Campaign	HQ/Office of Disaster Assistance - Insurance Institute for Business & Home Safety	Nationwide	8/17/2018
Small Business Workshops	Boise DO - Pioneer Federal Credit Union	Boise, ID	8/7/2018
Senator Leahy's 22nd Annual Women's Economic Opportunity Conference	Vermont DO - Office of U.S. Senator Patrick Leahy, Vermont Small Business Development Center, Vermont Technical College, Vermont Agency of Transportation, Vermont Commission on Women, Vermont Community Loan Fund, Vermont Procurement Technical Assistance Center, Vermont Department of Labor, Vermont Manufacturing Extension Center, Vermont Economic Development Authority, Vermont Works for Women, Vermont Women's Fund, Women Business Owners Network, The Center for Women & Enterprise, Vermont Center for Emerging Technologies, Change the Story Vermont, Vermont Business Education Corporation, Mercy Connections, Vermont Agency of Human Services - Office of Economic Opportunity	Randolph Center, VT	8/7/2018
Spirit of Small Business Awards Program & Luncheon	Los Angeles DO - Pacific Coast Business Times	Santa Barbara, CA	8/2/2018
Business Plan Boot Camp	Buffalo DO - M&T Bank, Hispanic Heritage Council of Western New York, Inc., SCORE Buffalo Niagara Chapter 45, Buffalo State College Small Business Development Center	Buffalo, NY	7/25/2018
Small Business Summit	New Hampshire DO - City of Claremont, New Hampshire	Claremont, NH	7/25/2018

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Business to Business (B2B) Matchmaking Event	Puerto Rico & Virgin Island DO - Puerto Rico Trade & Export Company, United Retailers Association, Puerto Rico Science, Technology & Research Trust - Colmena66, Puerto Rico Industrial Development Company -Federal Contracting Center	San Juan, PR	7/23/2018
HUBZone Conference	Massachusetts DO - Leader Bank, Webster Bank	Boston, MA	7/23/2018
Emerging Leaders 2018	Wisconsin DO - City of Milwaukee, SCORE Chapter 28, Wisconsin Women's Business Initiative Corporation, University of Wisconsin Milwaukee, Metropolitan Milwaukee Sewerage District, Milwaukee County-Community Business Development Partners, Wisconsin Economic Development Corporation-Bureau of Minority Business Development, Wisconsin Business Development Finance Corporation	Milwaukee, WI	7/18/2018
Emerging Leaders 2018	Cleveland DO - Heidelberg University, Seneca Industrial & Economic Development Corporation	Tiffin, OH	6/29/2018
2018 Tax Law Reform: What It Means for Small Business	Hawaii DO - Hawaii Small Business Development Center Network, Veteran's Business Outreach Center of the Pacific, Business Law Corps, Hawaii Technology Development Corporation	Honolulu, HI	6/27/2018
Small Business Awards Luncheon	Illinois DO - Chicago SCORE, Illinois Small Business Development Center, Wintrust Bank, Byline Bank	Chicago, IL	6/22/2018
2018 Hawaii Small Business Fair	Hawaii DO - Hawaii State Department of Business Development & Tourism, Honolulu Community College	Honolulu, HI	6/15/2018
Workforce Solutions for Small Employers, Resources Forum & Workshops	Wichita DO - SCORE Wichita Chapter 0143, Wichita Regional Chamber of Commerce, Wichita State University Kansas Small Business Development Center, Wichita State University Campus of Applied Sciences & Technology fka Wichita Area Technical College National Center for Aviation Training, Wichita State University Ventures, Mid-America Manufacturing & Technology Center, Inc., U.S. Department of Veterans Affairs Vocational Rehabilitation & Employment, Kansas Department for Children & Families, Workforce Alliance of South Central Kansas, Inc.	Wichita, KS	5/28/2018
Supply Chain Initiative	HQ/Office of Entrepreneurial Development - United Technologies Corporation	Nationwide	5/22/2018
2018 Vermont Small Business Awards Ceremony	Vermont DO - Vermont Business Magazine	Waterbury, VT	5/17/2018
Emerging Leaders 2018	Cincinnati BO - Heritage Bank, City of Cincinnati, Union Institute	Cincinnati, OH	5/15/2018
Emerging Leaders 2018	Michigan DO - Automation Alley, Detroit Economic Growth Corporation, Detroit Regional Chamber, Great Lakes Women's Business Council, Michigan Economic Development Corporation, Michigan Minority Supplier Development Council, Michigan Small Business Development Center, Michigan State University Detroit Center, National Business League, SCORE Chapter 18, TechTown	Detroit, MI	5/15/2018
Small Business Workshops	Massachusetts DO - Ipswich Chamber of Commerce	Ipswich, MA	5/8/2018

<b>Name/Subject of Event</b>	<b>Name of Cosponsor(s)</b>	<b>Event Location</b>	<b>Date Fully Executed</b>
Small Business Week Awards Ceremony	Washington Metropolitan Area DO - SCORE	Greenbelt, MD	5/4/2018
National Small Business Week	Columbus DO - Huntington National Bank, SCORE, Idea Foundry	Columbus, OH	5/4/2018
Small Business Week	Illinois DO - Illinois Small Business Development Center - Illinois Department of Commerce & Economic Opportunity, Women's Business Development Center	Chicago, IL	4/27/2018
Emerging Leaders 2018	Washington Metropolitan Area DO - Alexandria Redevelopment & Housing Authority, EagleBank, Alexandria Small Business Development Center, Arlington Economic Development, First National Bank, HSBC Bank USA	Alexandria, VA	4/27/2018
2018 Albany Matchmaker	Syracuse DO - Empire State Development New York State Contract Reporter, State University of New York Albany Small Business Development Center, New York Business Development Corporation	Albany, NY	4/26/2018
Export Trade Assistance Program	Orange County/Inland Empire DO - Riverside Community College District Inland Empire Center for International Trade Development, San Bernardino County Economic Development Agency	Cucamonga, CA	4/26/2018
SBA First Friday Ask the Experts	Columbus DO - The Destiny Center, Fifth Third Bank	Columbus, OH	4/25/2018
National Small Business Week Celebration	Utah DO - ZB, National Association dba Zions Bank, Sandy Area Chamber of Commerce, Salt Lake Chamber Women's Business Center, Utah Small Business Development Center, SCORE	Salt Lake City, UT	4/25/2018
Emerging Leaders 2018	West Virginia DO - Pierpont Community & Technical College	Fairmont, WV	4/25/2018
Emerging Leaders 2018	North Carolina DO - Central Piedmont Community College, Charlotte Mecklenburg Black Chamber of Commerce, Carolinas Virginia Minority Supplier Development Council, City of Charlotte-Charlotte Business INclusion, Mecklenburg County-Minority Women & Small Business Enterprises Program, SCORE, North Carolina Small Business & Technology Development Center, The Institute, Latin American Economic Development Corporation of the Piedmont Atlantic Region	Charlotte, NC	4/12/2018
Emerging Leaders 2018	Illinois DO - Wintrust Financial Corporation, SCORE	Chicago, IL	4/12/2018
Emerging Leaders 2018	Minnesota DO - Mayor Jacob Frey & the City of Minneapolis, Mayor Melvin Carter & the City of Saint Paul, Ewald Consulting, Minnesota Procurement Technical Assistance Center, Minneapolis Regional Chamber of Commerce, Saint Paul Area Chamber of Commerce, SCORE, Small Business Development Center, Women Venture, Women's Business Development Center, National Association of Women Business Owners, Metropolitan State University, Quorum, Northside Economic Opportunity Network	St. Paul, MN	4/12/2018

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders 2018	Massachusetts DO - Worcester Polytechnic Institute, Massachusetts Small Business Development Center Network SCORE Worcester County Chapter 173, Center for Women & Enterprise, Commerce Bank, TD Bank NA, Unibank	Worcester, MA	4/12/2018
Small Business Basics Workshops	New York DO - City of Newburgh	Newburgh, NY	4/12/2018
Emerging Leaders 2018	Fresno DO - SCORE Central Valley, Fresno Minority Business Development Agency	Fresno, CA	4/11/2018
Adventures in Small Business	Hawaii DO - Patsy T. Mink Center for Business & Leadership, Hawaii Small Business Development Center Network, Veteran's Business Outreach Center of the Pacific, Think Tech Hawaii	Honolulu, HI World Wide Web	4/5/2018
Emerging Leaders 2018	Pittsburgh DO - Allegheny Intermediate Unit, New York Business Development Corporation	Homestead, PA	4/5/2018
Small Business Week Matchmaking Event	Puerto Rico & Virgin Island DO - Colegio de Ingenieros y Agrimensores de Puerto Rico	San Juan, PR	4/5/2018
Small Business Week Breakfast & Awards Ceremony	Puerto Rico & Virgin Island DO - Puerto Rico Bankers Association	Carolina, PR	4/5/2018
Small Business Week "Success Story Panel"	Wichita DO - Wichita State University Kansas Small Business Development Center, SCORE Wichita Chapter 0143, Meritrust Credit Union, Wichita Regional Chamber of Commerce	Wichita, KS	4/5/2018
Emerging Leaders 2018	New Hampshire DO - New Hampshire Small Business Development Center, TD Bank, Enterprise Bank & Trust	Manchester, NH	4/5/2018
Emerging Leaders 2018	Puerto Rico & Virgin Islands DO - Banco Popular de Puerto Rico, Virgin Islands Small Business Development Center	St. Thomas, VI	4/5/2018
Monthly Business Success Seminars	New York DO - ISM eCommerce Federation, Inc.	Flushing, NY	4/3/2018
Emerging Leaders 2018	South Florida DO - MICROScholarships, Inc., Florida International University Small Business Development Center	Miami, FL	4/2/2018
Emerging Leaders 2018	Arkansas DO - The Venture Center, Regions Bank	Little Rock, AR	4/2/2018
Emerging Leaders 2018	Oklahoma DO - Rose State College	Midwest City, OK	4/2/2018
2018 Illinois and Wisconsin Export Business Forums	HQ/Office of International Trade - SCORE, First American Bank	Chicago, Waukesha, IL	2/28/2018

## **Appendix: External Peer Reviews**

Section 5(a) of the IG Act requires OIGs to report peer review results in their Semiannual Reports to Congress. The following information is provided in accordance with these requirements.

### **Audits Division**

Generally accepted government auditing standards (GAGAS) issued by GAO require that audit organizations performing audits and attestation engagements in accordance with GAGAS must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years.

OIG's Audits Division was reviewed by the U.S. Department of State OIG for the year ended March 31, 2018. In September 2018, SBA OIG received a peer review rating of "pass."

### **Investigations Division**

Section 6(e)(7) of the IG Act, Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority, and the CIGIE Quality Standards for Investigations require external peer reviews of OIG investigative functions be conducted every 3 years.

In September 2017, the U.S. Federal Deposit Insurance Corporation (FDIC) OIG reviewed our Investigations Division. The FDIC OIG issued its final report December 19, 2017. The FDIC found that the system of internal safeguards and management procedures for the investigative function of OIG was compliant with the quality standards established by the CIGIE and the applicable Attorney General Guidelines. (OIGs can be assessed as either compliant or non-compliant.) No recommendations were offered.

## Reporting Requirements in the Inspector General Act of 1978, As Amended

Section	Reporting Requirement	Location
4(a)(2)	Review of legislation and regulations	Other Significant OIG Activities
5(a)(1)	Significant problems, abuses, and deficiencies	Throughout
5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	Significant Recommendations From This Reporting Period
5(a)(3)	Prior significant recommendations on which corrective action has not been completed	Significant Recommendations from Prior Reporting Periods Without Final Action as of September 30, 2018
5(a)(4)	Matters referred to prosecutive authorities	Legal Actions Summary
5(a)(5)	Instances in which requested information was refused	N/A
5(a)(6)	List of audit, inspection, and evaluation reports	Reports Issued; Reports With Questioned Costs
5(a)(7)	Significant reports	Throughout
5(a)(8)	Audit, inspection, and evaluation statistical tables	Statistical Highlights
5(a)(9)	Audit, inspection, and evaluation reports with recommendations that funds be put to better use	Reports With Recommendations That Funds Be Put to Better Use
5(a)(10)	Audit, inspection, and evaluation reports without management decision, without comment within 60 days, or with unimplemented recommendations	Reports From Prior Periods With Overdue Management Decisions; Reports From Prior Periods With Open Recommendations as of September 30, 2018
5(a)(11)	Revised management decisions	Significant Revised Management Decisions
5(a)(12)	Management decisions with which the Inspector General disagrees	Significant Management Decisions With Which OIG Disagrees
5(a)(13)	Information described under section 05(b) of the Federal Financial Management Improvement Act of 1996	Federal Financial Management Improvement Act
5(a)(14)-(16)	Peer review results	External Peer Reviews
5(a)(17),(18)	Investigative statistical tables and supporting metrics	Investigations Reporting Statistics
5(a)(19)	Investigations involving a senior government employee where allegations of misconduct were substantiated	Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated
5(a)(20)	Whistleblower retaliation	Whistleblower Retaliation Cases
5(a)(21)	Attempts to interfere with the independence of OIG	Instances of Interference
5(a)(22)	Each closed inspection, evaluation, and audit not disclosed to the public; each closed investigation involving a senior government employee not disclosed to the public	Investigations Involving a Senior Government Employee That Is Closed and Not Disclosed to the Public

## **Make a Difference**

To promote integrity, economy, and efficiency, we encourage you to report instances of fraud, waste, or mismanagement to the OIG Hotline.\*

Online: <https://www.sba.gov/oig/hotline>

Call: 1-800-767-0385 (Toll Free)

Write or Visit:

U.S. Small Business Administration  
Office of Inspector General  
Investigations Division  
409 Third Street, SW (5th Floor)  
Washington, DC 20416

\*In accordance with Sections 7 and 8L(b)(2)(B) of the Inspector General's Act, confidentiality of a complainant's personally identifying information is mandatory, absent express consent by the complainant authorizing the release of such information.