

Improvements Needed in SBA's Shuttered Venue Operators Grant Post-Award Review Process



Management Advisory

Report 24-21

July 10, 2024



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NOTICE:

Pursuant to the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Public Law 117-263, Section 5274, any nongovernmental organizations and business entities identified in this report have the opportunity to submit a written response for the purpose of clarifying or providing additional context as it relates to any specific reference contained herein. Comments must be submitted to AIGA@sba.gov within 30 days of the final report issuance date. We request that any comments be no longer than two pages, Section 508 compliant, and free from any proprietary or otherwise sensitive information. The comments may be appended to this report and posted on our public website.

Date: July 10, 2024

To: Isabella Casillas Guzman
Administrator

From: Hannibal “Mike” Ware
Inspector General 

Subject: Improvements Needed in SBA’s Shuttered Venue Operators Grant Post-Award Review Process (Report 24-21)

The Office of Inspector General (OIG) is issuing this management advisory to bring to your attention concerns regarding the U.S. Small Business Administration’s (SBA) post-award review process to monitor Shuttered Venue Operators Grant (SVOG) award recipients’ eligibility, award calculation, and use of funds.

Since the agency is currently conducting post-award reviews of SVOG awards, we believe management should take immediate action to apply a more robust risk-based approach in selecting awards to review for eligibility. Specifically, the agency has selected 155 awards for eligibility reviews; however, OIG has identified an additional 1,818 high-risk awards totaling \$1.6 billion that warrant review. We also believe the agency should assess the post-award review process to ensure reviews are conducted timely. The agency’s current pace of review will not keep up with applicable statute of limitations for taking action on fraudulently obtained awards. Therefore, program officials must prioritize the reviews to increase the opportunity to save taxpayer funds and improve the integrity of this vital pandemic relief program.

We considered management comments on the draft of this report when preparing the final report. SBA management partially agreed with two recommendations and disagreed with one recommendation.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact me or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

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Background

The Shuttered Venue Operators Grant (SVOG) program was established on December 27, 2020, as part of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act).¹ The program was amended by the American Rescue Plan Act on March 11, 2021, which increased program funding and reduced SVOG assistance for some recipients who also received loans under the Paycheck Protection Program.² Collectively these laws provided the SVOG program with \$16.25 billion to provide grants to eligible businesses that engage in venue operations. Eligible entities included live venue operators or promoters, theatrical producers, live performing arts organization operators, motion picture theatre operators, non-profit museums, and talent representative operators. In total, SBA disbursed \$14.6 billion to 13,011 awardees to include additional supplemental awards to 9,800 of the original awardees.

The Economic Aid Act required the SBA Administrator to increase oversight efforts which may include requiring additional documentation consistent with eligibility requirements and use of funds to ensure compliance. The Act further states the Administrator may review and audit grants. If fraud or material noncompliance is found, the Administrator may require repayment of misspent funds or pursue legal action to collect funds.³

The SVOG division within SBA's Office of Disaster Recovery and Resilience oversees the administration of the SVOG program. As part of their oversight responsibilities, SVOG program officials established post-award review processes. SBA reviews grants to determine whether (1) the recipients were eligible, (2) the award amount was correct, or (3) the funds were used appropriately.

Selecting High-Risk Recipients for Eligibility Review

SBA planned to use a risk-based approach to select awards for review. SBA selected awards based on identified risks from internal reviews, external referrals, and random selection. As of February 2024, program officials selected 2,162 awards for post-award reviews, the majority of which will be reviewed to check the accuracy of the amount of funds awarded or verify the

¹ Pub. L. No. 116-26, Sections 323 and 324.

² Pub. L. No. 117-2, Section 5005.

³ Pub. L. No. 116-26, Section 324(e).

recipient used the funds for allowable expenses. Only 155 of the selected awards will be reviewed to verify eligibility. Based on our review, we identified an additional 1,818 high-risk awards totaling \$1.6 billion that could have been selected for eligibility reviews (see Table 1). Specifically, these awards either had unresolved potential ineligibility or fraud in SBA’s Coronavirus Disease 2019 (COVID-19) program databases; or recipients self-certified that they were talent representatives, and their operations met the threshold requirement; however, these high-risk awards were not selected for review.

By using a more robust risk-based methodology in selecting high-risk awards for eligibility reviews, SBA will ensure funds benefited the businesses Congress intended to support with the SVOG program and increase the opportunity to recover any improperly disbursed funds.

Table 1: SVOG Awards with High-Risk Indicators of Eligibility Concerns

Description of Potential Eligibility Concerns	Number of Awards	Total Award Amount
SVOG recipients with unresolved flags in the Payment Protection Plan (PPP) and/or Economic Injury Disaster Loan (EIDL) databases.	526	\$716,083,604
Recipients who claimed to operate as a talent representative	1,404	\$982,253,270
Total	1,930	\$1,698,336,874
Less: Awards in both high-risk categories	(112)	(\$88,274,574)
Net Total	1,818	\$1,610,062,300

Source: SBA OIG Analysis of PPP, EIDL, and SVOG available data

Leveraging All Available Data to Identify Potentially Ineligible Recipients

To support agencies implementing programs funded through the American Rescue Plan Act of 2021, Office of Management and Budget (OMB) issued guidance that emphasized using existing federal resources, such as the U.S. Department of the Treasury’s Do Not Pay Portal, or internal databases when designing internal controls to reduce the risk of making improper payments.⁴ Further, OMB guidance for implementing internal controls requires managers to establish and

⁴ Office of Management and Budget, Circular M-21-20, “Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources” (March 19, 2021).

integrate internal controls into its operations in a risk-based manner.⁵ According to federal standards and leading practices for internal controls, managers should compare actual performance to planned or expected results, analyze significant differences,⁶ and take steps to detect fraud, including conducting data analytics and matching activities.⁷

Program officials selected 155 awards to review for eligibility based on identified risks from internal reviews or external referrals. However, we identified an additional 526 awards that had eligibility risk indicators by cross-referencing SBA's Paycheck Protection Program (PPP) and COVID-19 Economic Injury Disaster Loans (EIDL) databases. These SVOG award recipients also received a PPP or COVID-19 EIDL loan that had been flagged for concerns of potential fraud and required program officials' review. By using data available within the agency, SBA can identify SVOG recipients that have been identified as high-risk in other pandemic loans programs, thus increasing the opportunity to ensure SVOG funds were awarded to eligible businesses.

Verifying Talent Representative Recipients Met Eligibility Requirements

Talent representatives were eligible for SVOG awards if at least 70 percent of their operations involved representing or managing two or more artists and entertainers, primarily at live events in venues or at festivals, whose payment was based on the number of tickets sold or a similar basis, among other requirements. Applicants who claimed to operate as a talent representative were required to provide documentation to confirm they met the eligibility requirement.

Program officials planned to verify that applicants met these requirements during the pre-award review and awarded 1,404 talent representatives over \$982 million in SVOG funds. However, based on our limited review of the award files, we found program officials did not consistently verify the applicant's claims were supported by documentation. During our review, program officials told us that they considered talent representatives as high-risk when conducting post award reviews. However, we found only 21, or 1 percent, of talent representative awards were selected for post-award eligibility reviews. SBA should review more of these high-risk awards to ensure SVOG funds were awarded to eligible businesses.

⁵ Office of Management and Budget, Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control" (July 15, 2016).

⁶ U.S. Government Accountability Office, GAO-14-704G, *Standards for Internal Control in the Federal Government*, (September 2014). <https://www.gao.gov/assets/gao-14-704g.pdf>.

⁷ U.S. Government Accountability Office, GAO-15-5935SP, *A Framework for Managing Fraud Risks in Federal Programs*, (July 2015). <https://www.gao.gov/assets/gao-15-593sp.pdf>.

Recommendation

We recommend the Administrator direct the Associate Administrator for the Office of Disaster Recovery and Resilience to:

Recommendation 1: Take immediate action to review 1,818 SVOG awards that we identified as high-risk of potential ineligibility and recover any funds from recipients who did not meet the requirements.

Conducting More Timely Reviews

Program officials assigned 30 staff members to review 2,162 of the 13,011 SVOG awards in total. As of February 5, 2024, SBA completed 165 reviews since it began conducting post-award reviews in July 2022. At this pace, we estimate it will take 19 years, or until February 2043, to complete the remaining reviews. This is concerning because the current pace will not allow SBA to use all available tools to recover improperly paid funds within relevant statutes of limitations. Improved processing times will increase the likelihood that misused funds are recovered and fraudsters are held accountable before the 5-year statute of limitations expires.⁸

Program officials said the primary reason for the slow pace was recipients' unfamiliarity with federal grant requirements, as well as the unique and expansive nature of the SVOG program. They also said that some award recipients were unresponsive to post-award review requests. To resolve this, SBA established a team called the Enhanced Outreach Team, to focus on contacting unresponsive recipients.

Despite SBA's efforts, we still found delays in receiving supporting documentation to start reviews. We noted numerous award recipients who were selected for review took over a year to respond to SBA's documentation request. Program officials established guidelines for staff to follow for initiating the process to recover funds from nonresponsive recipients. The guidance instructed that after 14-days of attempting to reach the award recipients, program officials are directed to terminate the award and begin actions to recover funds.

In addition to the long wait times for recipients to provide requested documentation, we found program officials did not immediately review the documentation once it was received. According

⁸ Time for Commencing Actions Brought by the United States, 28 U.S. Code § 2415, and Crimes and Criminal Procedure 18, U.S. Code § 2415.

to SBA, delays were caused by attrition of temporary staff, training new staff, and extensive documentation to review. They also had to account for human error.

The post-award review effort to recover improper or fraudulent payments needs to be completed accurately and at a faster pace to meet statutory deadlines. If program officials do not conduct reviews in a timely manner, SBA will not increase the opportunity to remedy and promptly recover funds incorrectly or fraudulently obtained.

Recommendations

To address concerns in the SVOG program, we recommend the Administrator direct the Associate Administrator for the Office of Disaster Recovery and Resilience to:

Recommendation 2: Finalize and implement updated guidance dated April 18, 2024, to terminate the award for unresponsive recipients and initiate actions to recover funds within the stated timeline.

Recommendation 3: Assess staffing and procedures to ensure post-award reviews are conducted in a prompt manner. Use the results of the assessment to improve processing times to ensure reviews are completed in time to accommodate relevant statute of limitations.

Evaluation of Agency Response

SBA management provided formal written comments that are included in their entirety in Appendix 1. Management disagreed with Recommendation 1 and partially agreed with Recommendations 2 and 3. We found the agency's planned actions are sufficient to resolve all three recommendations.

Summary of Actions Necessary to Close the Recommendations

The following section summarizes the status of our recommendations and the actions necessary to close them.

Recommendation 1

Take immediate action to review 1,818 SVOG awards that we identified as high-risk of potential ineligibility and recover any funds from recipients who did not meet the requirements.

Status: Resolved

SBA management disagreed with the recommendation stating they already completed fraud evaluations for 494 of the 526 SVOG awards OIG identified with eligibility risk indicators in PPP and EIDL databases; however, they did not provide supporting documentation. Management further stated they plan to conduct reviews for the remaining 32 awards by September 30, 2024.

Regarding talent representative award recipients, SBA management stated they cannot substantiate OIG's concerns that awards made to talent representatives are a higher risk than other SVOG eligible entities. Management's position is that all seven SVOG entity types had different requirements and means of demonstrating eligibility, and talent representatives are not inherently riskier than any other category. Management asserted that their robust application review process and post-award oversight serve as an effective safety net to prevent waste or abuse of SVOG funds. Accordingly, management stated they selected 133 talent representative recipients for post-award reviews and 381 for probable fraud reviews.

OIG's concerns regarding increased risks associated with awards to talent representatives are based on statements and information SBA program officials provided during our review. Our limited testing supported program officials' concerns that awards made to talent representatives were higher risk because we found that program officials did not consistently verify that the applicant's eligibility claims were supported by documentation. When we assessed the awards selected for post-award eligibility reviews, we were concerned that only 21 talent representative recipients were selected.

However, since we expressed our concerns to management, they increased the number of awards they identified to review for fraud in this category. They provided a list of 381 talent representative applications selected for probable fraud reviews. We found 185 of 381 applications were awarded funds. In total, management plans to review 318 talent representative awards (133 awards for post-award reviews and 185 awards for probable fraud reviews).

Since management has selected 46 percent (318 awards to talent representatives and 526 awards with eligibility risks in PPP and EIDL databases) or 844 of the 1,818 awards we identified for review, we believe they met the intent of the recommendation. As we continue our ongoing audit of SBA's oversight of SVOG recipients, we will notify management of additional risks or specific entities that we identify that may require review.

This recommendation can be closed once management provides documentation to confirm they (1) completed reviews for the 526 awards with eligibility risk indicators in PPP and COVID-19 EIDL

databases and the 318 talent representative awards; and (2) took action to recover funds from recipients who did not meet the requirements.

Recommendation 2

Finalize and implement updated guidance dated April 18, 2024, to terminate the award for unresponsive recipients and initiate actions to recover funds within the stated timeline.

Status: Resolved

SBA management partially agreed with the recommendation, stating they finalized and implemented guidance to terminate awards for unresponsive recipients and initiated actions to recover funds in a timely manner. Management further stated that they have had over 1,950 successful outreach attempts to re-establish contact with non-responsive recipients and have referred 98 non-responsive grantees to the SVOG funds recovery team. SBA plans to complete implementation of actions to initiate funds recovery related to post-award reviews by September 30, 2024.

This recommendation can be closed once management provides evidence that they finalized and implemented (1) procedures to terminate unresponsive recipients; and (2) a process to recover funds from unresponsive award recipients.

Recommendation 3

Assess staffing and procedures to ensure post-award reviews are conducted in a prompt manner. Use the results of the assessment to improve processing times to ensure reviews are completed in time to accommodate relevant statute of limitations.

Status: Resolved

SBA management partially agreed with the recommendation, stating they did not agree with OIG's calculation that it would take an additional 19 years to complete post-award reviews. Our calculation was based on data received as of February 5, 2024, when only 165 of the 2,162 post awards, or nearly 8 percent, had been completed.

Management stated that during fiscal year 2024, they updated daily performance metrics and enhanced outreach tactics and staffing assignments to increase the speed of SVOG post-award reviews. They also stated that most of the staff time is now spent issuing final determinations. According to management, as of May 9, 2024, SBA completed 25 percent of the SVOG post-award reviews for eligibility, award amount, and/or use of award funds, reflecting a 237 percent increase when compared to the number of reviews completed as of February 5, 2024.

Management plans to continue to assess staffing and procedures and use the results of assessments of staff's daily performance measures to adjust and improve processing times. SBA plans to complete final action by September 30, 2024.

This recommendation can be closed when management provides results of staffing and procedural assessments and evidence of improved processing times.

Scope and Methodology

The overall objectives of our ongoing audit, *SBA's Oversight of the Shuttered Venue Operators Grant Recipients*, are to determine whether SBA implemented a process to (1) monitor recipients' use of grant funds; (2) monitor program performance; and (3) ensure unallowable or unused funds were returned to the Treasury. During our audit, we found SBA could review awards that were flagged by existing SBA databases and award systems as potential fraud, abuse, or misuse. This management advisory brings attention to concerns about SBA's post-award review process in the SVOG program.

We reviewed federal laws, regulations, policies, procedures, and internal memorandums pertaining to SBA's oversight of SVOG recipients. We obtained a list of SVOG recipients from the SVOG application portal and from USASpending.gov.⁹

We interviewed Office of Disaster Recovery and Resilience program officials and reviewed supporting documentation to gain an understanding of SBA's plans and procedures for selecting and reviewing SVOG award recipients' use of funds, award calculation, and eligibility to verify funds were awarded and used appropriately and evaluated their response. We also analyzed SVOG data to identify potentially ineligible and fraudulent awards not selected for review and to assess the timeframe for completing post-award reviews.

Our ongoing audit of the SBA's oversight of SVOG recipients is being conducted in accordance with generally accepted government auditing standards. We prepared this management advisory in alignment with OIG's quality control standards and the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspector General*, which require that we conduct our work with integrity, objectivity, and independence. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

⁹ SVOG application portal (<https://sbaodagrants.my.salesforce.com>); USASpending.gov is a public data source of federal spending information (<https://www.usaspending.gov>).

Use of Computer-Processed Data

We relied on computer-processed data in the SVOG online application platform. We retrieved applications, award information, and SBA's evaluation record for all SVOG applicants. We tested the reliability of computer-processed data in the SVOG online application platform by comparing the report, which included application and award information generated by program officials. Further, we tested the reliability of the data by comparing data received from the SVOG platform to USASpending.gov. We also compared data received from the SVOG online application platform to SBA's PPP and COVID-19 EIDL databases. We believe the computer-processed information is reliable for the purposes of this management advisory.


Appendix 1: Agency Response

SBA Response to Report



Date: 06/07/2024

To: Hannibal “Mike” Ware
Inspector General
U.S. Small Business Administration

From: Francisco Sanchez, Jr. Associate Administrator
Office Of Disaster Recovery & Resilience (ODR&R) 

Subject: SBA’s Comment Letter to OIG Management Advisory “Improvements Needed in SBA’s Shuttered Venue Operators Grant Post-Award Review Process (Project 24002)”

We have reviewed the Office of Inspector General (OIG) report, “Improvements Needed in SBA’s Shuttered Venue Operators Grant Post-Award Review Process,” sent on May 2, 2024.

Our response and management decision(s) for each recommendation follows. The information provided should be understood to be reliant on an understanding of the policies, procedures, and internal controls of the Shuttered Venue Operators Grant Program (SVOG), as well as documents that have been submitted to Congress.

If you have any questions or follow-up on the provided SVOG information, please be sure to include sheena.mcshan@sba.gov and ODRRAuditLiaisonTeam@sba123.onmicrosoft.com in the request you submit.

We appreciate the opportunity to provide this information and look forward to a successful audit.



EXECUTIVE SUMMARY

SBA disagrees with Recommendation #1, and only partially agrees to Recommendations #2 and #3. SBA anticipates remediation of Recommendations #2 and #3 by the end of the 2024 fiscal year.

SBA's Response to the Report

Recommendation 1

"Take immediate action to review 1,818 SVOG awards that we identified as potentially ineligible and recover any funds from recipients who did not meet the requirements."

SBA disagrees with Recommendation 1.

SBA's Process for Cross-Program Flag Evaluations Already Reviews the Identified Recipients

SBA shares OIG's interest in ensuring eligibility concerns as well as fraud flags by other pandemic programs are evaluated. However, SBA's existing processes have already conducted the reviews OIG indicates. As it relates to concerns of possible fraud, SBA has used data available within the agency to evaluate approximately 702 SVOG awards flagged by other pandemic programs for probable fraud. As of May 2024, SBA has evaluated 1,949 applicants and 1,221 award recipients for potential or probable fraud concerns since program onset. Additionally, SBA's Office of Disaster Recovery & Resilience (ODR&R) has referred approximately 150 SVOG awards to OIG.

As it relates to the specific 526 SVOG awards OIG identified with eligibility risk indicators in SBA's Paycheck Protection Program (PPP) and COVID-19 Economic Injury Disaster Loans (EIDL) databases, ODR&R program officials had completed fraud evaluations for 494 of those 526 awards prior to OIG issuing this Management Advisory. The SBA Fraud Risk Management Board (FRMB) and data scientists within the SBA Office of the Chief Financial Officer facilitate cross program fraud data analytics with an agency database of cross-program fraud flags (Cross-Program Report). Each update to the Cross-Program Report identifies program recipients with new, updated, or closed hold codes related to suspected fraud or identity theft. These updates are distributed to the SVOG program officials and to ODR&R Internal Controls for post-award fraud reviews to determine if SVOG eligibility is impacted. Given the small difference between the 526 flags OIG indicates and the 494 which had already been reviewed, SBA believes it is likely just a matter of the timing of OIG's data-pull.



U.S. Small Business
Administration

SBA's Comment Letter to OIG Management Advisory (Project 24002)

SBA has identified the 32 flags which were not already reviewed previous to this advisory, and they are in the process of being reviewed as a matter of course.

SBA's Process for Eligibility Review Validated that Talent Representative Recipients Met Eligibility Requirements

SBA cannot substantiate OIG's concerns that the entire class of talent representatives are a higher risk than other SVOG-eligible entities.

In a May 14, 2024 correspondence submitted to OIG, SBA raised concerns that OIG did not provide SBA with the methodology used to distinguish the entire class of talent representatives as high-risk in comparison to the other types of eligible entities. On May 29th, OIG responded that it considered talent representatives "*high risk*" because the category had "*more required areas to be eligible,*" such as "*at least 70% of operations involved representing or booking two or more performers at ticketed live events.*"

SBA's position is that all seven SVOG entity types had different requirements and means of demonstrating eligibility, and Talent Representatives are not inherently riskier as a class than any other category. For example, museums had to demonstrate they were non-profit. SBA required all SVOG applications, regardless of entity type, be reviewed for support documentation and to verify eligibility.

SBA trained all SVOG application review staff to consistently verify talent representative applications were supported by documentation. Prior to any award making/decision staff were instructed to verify talent representative status. SBA required contracts and booking information be provided with the application, and SBA directed staff consult external sources such as the Celebrity Access webpage, the Bandcamp webpage, artists' webpages, Lexis Nexis Comprehensive Person Searches, Lexis Nexis Comprehensive Business Searches, IMDB, and/or social media posts made prior to application dates. Where inconsistencies may have impacted eligibility, a robust appeals process, re-checks of key data and databases during screening for supplemental awards, and post-award reviews for quality assurance, cost-compliance monitoring, and suspected fraud serve as an effective safety net to prevent clear waste or abuse of SVOG funds.

SBA provided Congress with an Audit and Oversight Plan for the program which explained that the SVOG application review process included "*a robust set of controls based on applicant-provided information as well as additional third-party data, including IRS tax verification, and the Treasury's "Do Not Pay" list. The application review process [was] concerned with verifying applicant eligibility, applicant and business identity, and key financial information critical to calculating the appropriate*





grant amount.” Post-award oversight was then designed with audit, oversight, and monitoring activities informed by annual “risk assessment for internal and external risks . . . [where] SBA identified areas of potential risk, [such as] likelihood of impact . . . and amount of award. After assigning risk levels to those with risk potential, we then identified mitigation strategies using appropriate government resources.”

As it pertains to any risks in the use of funds, 133 talent representative recipients were identified for post-award reviews based on being selected for the random sample and/or based on cost compliance risk. Specifically, 110 talent representative recipients were selected for use of award monitoring, 21 talent representative recipients were selected for eligibility monitoring and 2 talent representative recipients were selected for award amount reviews. Furthermore, 381 talent representative recipients were selected for fraud reviews.

OIG's May 29th correspondence provided the name of an SVOG recipient where OIG had concerns with how eligibility had been verified for a Talent Representative entity, stating: “*we did not see any documentation how agency reviewed eligibility (e.g. 70% threshold).*” For that particular entity, SBA was able to locate the documented checklists and four reviews in the expected location in the SVOG Award System dated June 28, 2021, June 30, 2021, and July 2, 2021, inclusive of social media, contracts, and Lexis search results.

SBA's review of OIG's advisory does not support a blanket re-review the entire class of talent representative files. However, should the OIG provide the program with a subset of talent representative files with specific eligibility concerns beyond simply belonging to the class of talent representative, the program can provide evidence of its reviews and/or conduct a re-examination at that time.

Results

As of May 2024, SBA has accomplished the following:

- Identified 133 talent representative recipients for a post-award review.
- Identified 381 talent representative recipients for probable fraud review.
- Evaluated 1,221 SVOG recipients flagged for probable fraud and/or identify theft by another pandemic program.
- Completed fraud evaluations for 494 of the 526 awards the OIG identified with eligibility risk indicators by cross-referencing SBA's Paycheck Protection Program (PPP) and COVID-19 Economic Injury Disaster Loans (EIDL) databases.



Corrective Actions

ODR&R plans to complete the following corrective actions by quarter 4 of the 2024 fiscal year:

- Conduct post-award fraud evaluations for the remaining 32 awards OIG identified with eligibility risk indicators by cross-referencing SBA's Paycheck Protection Program (PPP) and COVID-19 Economic Injury Disaster Loans (EIDL) databases.



Recommendation 2

“Finalize and implement updated guidance dated April 18, 2024, to terminate the award for unresponsive recipients and initiate actions to recover funds within the stated timeline.”

SBA partially agrees with Recommendation 2 and has made significant progress aligned with Recommendation 2.

As SBA has indicated in its closure package for OIG Report 24-03 Recommendation 18, SBA's follow-up procedures for SVOG award recipients are implemented and effective. As of the end of April 2024, SBA has had over 1,950 successful outreach attempts to re-establish contact with recipients that had become non-responsive with their grant terms by failing to adequately or timely complete a post-award action item.

In October 2022, the program formally launched Tier 1 outreach to grantees observed as non-responsive. Tier 2 enhanced outreach was formally launched in February 2023 and Tier 3 enhanced outreach tactics were launched by April 2024. Tier 1 outreach involves attempts by the assigned Grants Management Specialist (GMS) to contact the grantee and re-establish responsiveness. Upon expiration of a post-award action item, GMS will document the grantee's non-responsiveness and conduct outreach attempts to get the entity back in compliance.

Tier 2 sees the funding request elevated to enhanced outreach team (EOT) after previous attempts by the assigned Grants Management Specialist to contact the grantee and re-establish responsiveness failed (Tier 1 outreach). Tier 2 enhanced outreach involves attempts by the EOT to contact the grantee and re-establish responsiveness by continuing outreach to the funding request contacts during various times throughout the day and during the weekends, researching alternative contact information for the grantee using additional resources, and documenting any unusual events or circumstances.

If initial Grant Management Specialist outreach and Tier 2 enhanced outreach are unsuccessful, Tier 3 enhanced outreach is conducted by SBA district offices as a final attempt to contact non-responsive grantees in their area. District offices are given 14 calendar days to identify alternative contacts and/or attempt to contact the grantee and report back any findings to SVOG. If SBA is unable to engage the grantee after 14 calendar days and determine a compliance plan, SBA will terminate the grant award due to non-compliance and pursue recoupment of the funds.



Results

ODR&R has accomplished the following:

- SBA has finalized and implemented the April 18, 2024 guidance document to terminate awards for unresponsive recipients and to initiate actions to recover funds in a timely manner.
- SBA has referred 98 non-responsive grants to the SVOG funds recovery team.

Corrective Actions

ODR&R plans to complete the following corrective actions by the end of the fiscal year 2024:

- Complete implementation of actions to initiate funds recovery related to post-award reviews in a timely manner.



Recommendation 3

“Assess staffing and procedures to ensure post-award reviews are conducted in a prompt manner. Use the results of the assessment to improve processing times to ensure reviews are completed in time to accommodate relevant statute of limitations.”

SBA partially agrees with Recommendation 3 and has made significant progress aligned with Recommendation 3.

SBA shares OIG's interest in ensuring reviews are conducted in a timely manner. However, ODR&R does not agree with the conclusion that SVOG post-award reviews will take an additional 19 years to complete.

Within Fiscal Year 2024, ODR&R has updated its daily performance metrics, enhanced outreach tactics, and staffing assignments to increase the speed of SVOG post-award reviews. As of May 09, 2024, ODR&R has completed almost all audit report reviews and Cross-Program Report fraud reviews, and 25% of SVOG post-award desk audits for eligibility, award amount, and/or use of award are completed. This reflects a 237% increase when compared to the number of complete post-award reviews as of February 05, 2024.

An additional factor in this increase in processing speed is that the majority of cost-compliance oversight was conducted incrementally: the majority of identified grants received a customized notification prior to work beginning on reviewing interim results, and most interim results were reviewed prior to ODR&R beginning to close monitoring events. No additional increments are planned, so the majority of staff time is now spent on issuing final determinations.

Results

To conduct timely post-award reviews, ODR&R has taken the following corrective actions:

- ODR&R tracks SVOG staffs' daily performance metrics and reports end of day results to ODR&R senior leaders.
- SBA has three tiers of enhanced outreach to unresponsive SVOG grantees.



- ODR&R has increased the number of staff conducting enhanced outreach and has adjusted human resources to increase the number of staff conducting post-award reviews.

Corrective Actions

To ensure post-award reviews are completed in time to accommodate relevant statute of limitations, ODR&R has planned the following corrective actions:

- ODR&R will continue to assess staffing and procedures.
- ODR&R will continue to use the results of assessments of staffs' daily performance metrics to adjust and improve processing times.