

Briefing Report

The SBA's Loan Management and Accounting System – Incremental Improvement Projects





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

REPORT TRANSMITTAL
REPORT NO. 13-11

DATE: March 12, 2013
To: Paul T. Christy
Chief Operating Officer
SUBJECT: *The Small Business Administration's Loan Management and Accounting System
Incremental Improvement Projects*

This report presents the results of our review of the Small Business Administration's effort to modernize its loan management system and migrate off the mainframe environment. Specifically, this report addresses issues identified in the planning, management, and oversight of SBA's ongoing migration efforts. We have incorporated the formal comments from the Chief Operating Officer and the Executive Steering Council into this report.

Please provide your response to this report for each recommendation on the attached SBA Forms 1824, *Recommendation Action Sheet*, by April 11, 2013.

Consistent with OMB Circular A-50, your response should include the corrective action(s) taken or planned for each recommendation and the target date(s) for completion. If you disagree with the recommendations, please fully explain the reasons for disagreement. Please include the legal basis for disagreement based on interpretation of law, regulations, or the authority of officials to take or not take action. You may also propose alternative actions to those recommended that you believe would better address the issues presented in this report.

In order to fulfill our responsibility under the Inspector General Act, we are providing copies of our report to the appropriate congressional committees responsible for oversight of the Small Business Administration. We will also post this report on the Office of Inspector General website for public dissemination.

We appreciate the courtesies and cooperation of the Office of Capital Access and the Office of the Chief Information Officer during this review. If you have any questions concerning this report, please call me at (202) 205-7390 or Jeffrey Brindle, Director, Information Technology and Financial Management Group, (202) 205-7490.

/s/
John K. Needham
Assistant Inspector General for Auditing

Briefing Report

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Highlights

Why the OIG Performed this Review

Since 2004, a significant management challenge facing the SBA is the modernization of the loan accounting process, where the Loan Accounting System is the central hub. The Loan Accounting System processed and managed a loan portfolio totaling over \$99 billion in FY 2011.

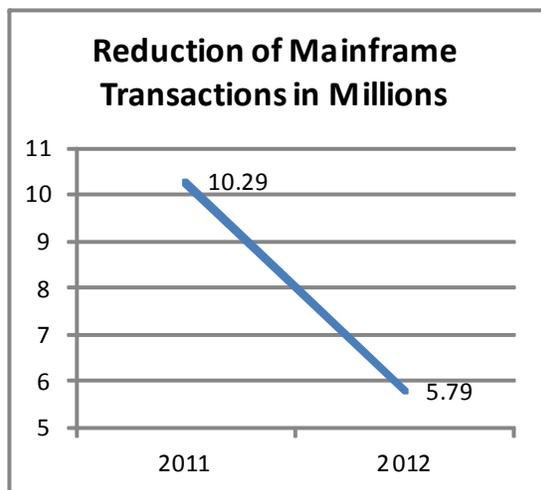
What the OIG Reviewed

The OIG reviewed the Loan Management Accounting System – Incremental Improvement Projects (LMAS-IIPs), which included the:

- Systems Development Life Cycle deliverables and documentation for LMAS incremental projects.
- Root Cause Analysis and User Interface Migration.
- Implementation and operation of a Quality Assurance (QA) program and an Independent Verification and Validation (IV&V) program for the LMAS-IIPs.

What the OIG Found

The OIG found that the SBA successfully migrated the data-entry of over 44% of its loan and lending transactions from mainframe data-entry to web-based data entry, the first step in fully migrating off SBA’s legacy mainframe and utilizing updated technology.



The SBA’s Progress in Reducing Mainframe Transactions

- 10.29 million transactions were processed on SBA’s mainframe during the last six months of FY 2011.
- 5.79 million transactions were processed on SBA’s mainframe during the last six months of FY 2012.
 - This decrease represents a 44% reduction of mainframe utilization from FY 2011 to FY 2012.
- All User Interface transactions are scheduled to be migrated off the mainframe by September 2013.

During our review of the LMAS IIPs, the OIG also found that:

- The SBA did not have an incremental improvement project to migrate its newly created COBOL code into production.
- The Root Cause Analysis Project had been altered from its initially approved project.
- The User Interface Migration Project screens were not security tested and validated.
- The QA and IV&V programs did not exist.

The LMAS-IIP is A Major Management Challenge for the SBA

The LMAS-IIP is addressed in Challenge 8 of the OIG’s annual report [The Most Serious Management Challenges Facing the SBA](#), “The SBA needs to modernize its Loan Accounting System and migrate it off the mainframe.”

Similar issues in this challenge are related to:

- planning the migration off the mainframe, and
- quality assurance and independent verification and validation.

Background

The Loan Management and Accounting System (LMAS)

Since 2004, one of the single greatest management challenges facing the SBA is the modernization of the loan accounting process, where the Loan Accounting System serves as the central hub. The Loan Management Accounting System is:

- A collection of transaction data entry screens for SBA loan and lending transactions that are directly entered into the mainframe for processing.
- A daily cycle of loan and lending transactions— processed nightly— that update the database and includes information from other SBA systems.

The Loan Management Accounting System processed and managed a loan portfolio that totaled over \$99 Billion in FY 2011.

The LMAS Incremental Improvement Projects (IIPs)

The LMAS-IIPs were designed to be a series of focused and cost-effective projects to upgrade existing financial software and application modules in the SBA’s Loan Accounting System that included:

- Migrating these modules off of SBA’s outdated mainframe environment;
- The development and migration of user interface screens from SBA’s mainframe to newer technology (in its most recent iteration), and
- Conforming with OMB’s Memorandum 10-26, *Immediate Review of Financial Systems IT Projects*, which requires agencies to split large development projects into smaller simpler segments with clear deliverables.

| LMAS-IIP | Description | Status |
|--|--|--------------------|
| Complete the R12 upgrade | Upgrade SBA’s administrative accounting and management system to Oracle Financials. | Completed |
| Migrate Denver Finance from Sybase to Oracle | Migrate SBA’s legacy databases at its Denver office to its current database infrastructure. | In process |
| Migration of user interfaces | To migrate all user interface components from the legacy mainframe platform to SBA’s current web-based infrastructure. | Nearing Completion |
| COBOL Port | Convert the Unisys proprietary COBOL code to a version of COBOL compatible with UNIX. | In process |
| Document Loan Accounting | Document the new processes in order to capture and transfer knowledge about the new LMAS environment. | In process |
| Root Cause Analysis | Analyze remaining issues and develop plans to prioritize additional projects to address SBA’s most important business needs. | Scope changed |
| Implement Improvements | Implement the improvements identified by the root cause analysis and the analysis of new processes. | Not started |

Approach

Overall Results

Objective

The objective of the OIG Review was to determine the progress of the Loan Management Accounting System Program (LMAS) – Incremental Improvement Projects (IIP) since the issuance of [Audit Report 10-14, Adequacy of Quality Assurance Oversight of the Loan Management Accounting System Project](#) on September 13, 2010.

Scope and Methodology

We performed our review in accordance with *Quality Standards for Inspections and Evaluations* issued by the Council of Inspectors General on Integrity and Efficiency.

To conduct our evaluation, we examined:

- The SBA’s progress against open audit recommendations and challenge #8 of the [FY 2012 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration](#), “The SBA needs to modernize its Loan Accounting System and migrate off the mainframe.”
- The interim progress of the ongoing LMAS-IIPs.

To determine progress we compared agency actions against criteria set by OMB Memoranda, NIST Special Publications, and SBA Standard Operating Procedures.

This evaluation covered the period from January 2011, when OMB granted approval of the LMAS-IIP, and November 2012 when we completed fieldwork.

In Fiscal Year 2012, the SBA successfully migrated the data-entry of 44% of its loan and lending transactions from its mainframe data-entry to web-based data-entry.

This migration was a successful first step in fully migrating off SBA’s legacy mainframe and utilizing updated technology.

The OIG identified five findings that put the development of this project at risk for not meeting the needs and expectations of the SBA, the Office of Management and Budget (OMB), and Congress. These findings discussed, discussed further below, are as follows:

- The first issue was that the SBA does not have an incremental improvement project to migrate its newly created COBOL code into production.
- The second issue concerned the Gap Analysis and Strategic Planning Project for the LMAS-IIP, which included a Root Cause Analysis, as approved by the SBA’s Business Technology Investment Council (BTIC) and OMB.
- The third issue related to the LMAS-IIP User Interface Migration project screens, which were not tested and validated by the SBA’s Office of Chief Information Officer, Information Security.
- The fourth and fifth issues related to the LMAS-IIP Quality Assurance (QA) and Independent Verification and Validation (IV&V) programs, which did not exist during the LMAS-IIP.

Findings 1 & 2

Finding 1: The SBA Needs to Create an additional Incremental Improvement Project to Migrate its new COBOL Code into Production

The SBA does not have an IIP, as recommended by OMB, to migrate its newly created COBOL code into production.

- Currently, the SBA has an IIP (the COBOL Port) to convert its Loan Accounting System with proprietary COBOL code to a version of COBOL that is compatible with UNIX. This conversion of COBOL code, if implemented on a new processing platform, would allow the SBA to fully migrate off its legacy mainframe environment to a more up-to-date and non-proprietary COBOL environment.
- The absence of an improvement project occurred because existing project plans did not include production use of the newly ported COBOL code.

According to OMB Memorandum 10-26, *Immediate Review of Financial Systems IT Projects*:

- Agencies should prioritize their needs and functionality to focus on the most critical business needs to avoid cost overruns and lengthy delays.
- The most critical functionality should be delivered first, and functions of lesser importance can be considered for subsequent delivery.

The SBA briefed OMB in March 2012 on the status of the LMAS project. The SBA recognized the importance of migrating the batch COBOL systems from the legacy platform to a more up-to-date and non-proprietary COBOL environment.

We analyzed the seven IIPs and determined that:

- There is currently no LMAS project to migrate the batch COBOL systems from the legacy platform to a more up-to-date and non-proprietary production environment.
- The current COBOL Port IIP identifies the code converted into a test environment but never specifically identifies implementing the new code into production, which is necessary for the LMAS to be functional.

As a result, the SBA may be developing code that might not be implemented in its computing environment.

Recommendation 1

We recommend that the SBA adopt a new IIP under LMAS to facilitate the transfer of data and move its new COBOL code to a full production environment.

Finding 2: The Scope of the Root Cause Analysis Project was Changed to Only Review Funds Control and Develop a Data Dictionary

The LMAS-IIP Root Cause Analysis Project, as approved by the SBA's BTIC and OMB, had been altered from its initially approved project — analyzing the completed IIPs and making recommendations on new potential IIPs—to two projects on (1) funds control and (2) the development of a data dictionary.

The OMB's Memorandum 10-26 requires that after the most critical functional needs are in place, further prioritization of secondary needs should be performed. Therefore, revised projects plans should prioritize the most critical remaining financial functions.

Finding 3

The change of the scope of the Root Cause Analysis occurred without BTIC approval. The original purpose of the Root Cause Analysis was to identify areas where completed IIPs had remaining issues or desired enhancements.

- Any gaps that were not addressed by the completed IIPs would be identified and addressed in future projects.
- The original Root Cause Analysis was done to ensure that the LMAS-IIPs would meet full potential, and successfully migrate off SBA's mainframe computer system.

The reduced scope of the Root Cause Analysis created a situation in which the LMAS-IIPs no longer had the capability to analyze identified issues and develop plans to prioritize additional projects to address SBA's most important business needs.

Recommendation 2

We recommend that the SBA ensure that the Root Cause Analysis IIP be revised so that it conforms to the scope originally approved by the BTIC. The Root Cause Analysis should:

- (1) identify the most critical business needs of the SBA;
- (2) analyze remaining issues when each LMAS-IIP is completed; and
- (3) develop plans to prioritize additional projects to address SBA's most important business needs.

Finding 3: New LMAS User Interface Screens were not Validated and Tested by OCIO—IT Security Before They Were Put into Production

The SBA had implemented new LMAS user interface screens as early as October 15, 2011. However, the SBA did not perform a security impact analysis on these new user interface screens before they were put into production. Therefore, the SBA unintentionally invalidated the Electronic Transaction (E-Tran) System *Authority-to-Operate* since they did not test the LMAS screens before they were put into production.

The OCIO—IT Security was unaware that the new LMAS user interface screens had entered into production in the E-Tran System when we first met with them in August 2012. As a result of our meeting, IT Security notified us that they would immediately address this with the LMAS Project Director and have a Security Impact Analysis performed on the LMAS-IIP user interface screens.

Under the *Federal Information Security Management Act*, LMAS user interface screens are required to be validated and tested as a part of a major modification to the E-Tran system *Authority-To-Operate* before the new User Interface Screens are put into production. Further, the NIST Special Publication, *Guide for Applying the Risk Management Framework to Federal Information Systems* (SP 800-37), requires that:

- A security impact analysis should be conducted by the organization when changes are proposed to determine the extent changes to the information system affect the security of the system.
- The information system owner should consult with appropriate organizational officials prior to implementing any security-related changes to the information system or its operating environment.

Finding 4

Recommendation 3

We recommend that the Office of Chief Information Officer—IT Security perform a Security Impact Analysis on the E-Tran user interface screens to determine the security implications of the new user interface screens.

Recommendation 4

We recommend that the Office of Chief Information Officer— IT Security, in conjunction with the SBA Office of Capital Access, initiate the process of reauthorization of E-Tran for operation due to the changes to the operating environment.

Finding 4: The LMAS-IIP Quality Assurance Program Did Not Exist At the Time of Our Review

The LMAS-IIP Quality Assurance (QA) program did not exist during the time of our review. This resulted in a lack of adequate systems development project oversight. Without an effective QA capability, an independent advisor reporting on compliance with BTIC and LMAS Executive Steering Committee mandates did not exist.

We requested all QA assessments of the LMAS-IIP Program from the QA Manager. No QA assessments were provided during the timeframe of our review. The QA manager explained that:

- Along with his other duties, he did not have adequate resources to perform QA reviews of LMAS-IIP deliverables, and that the SBA was in the process of obtaining contractor support to perform

the QA team functions. A functioning QA program would have identified and reported to the LMAS Executive Steering Committee the major scope changes to the Root Cause Analysis IIP as identified in Finding 2 in this report.

The SBA's Standard Operating Procedure 90 410, *Procedures for Managing and Assessing the Quality of SBA Information Technology Projects* states that the purpose of the IT QA program is to:

- 1) provide clear guidance in the delivery of quality IT deliverables,
- 2) ensure quality in the acquisition, design, development, testing, implementation and operation of IT programs, and
- 3) conduct QA assessments on Agency IT acquisitions, investments, programs, projects and operations.

Additionally, according to OMB Memorandum 10-26, *Immediate Review of Financial System IT Projects*, ongoing, transparent system oversight is required of all agencies. Specifically, agencies should identify, up-front, a series of milestones, warning flags, and stop-points, which, if deemed necessary, can cause a project to be suspended and returned to planning. This is of particular concern since our prior audit on LMAS¹ reported that:

- Although a QA manager was added to the project, he was unable to dedicate a sufficient amount of time to the project due to his other workload demands, and
- The SBA's management stated they would add a full-time QA Manager responsible for the IT QA program, and additional resources, such as contracted support specific to the LMAS IT QA function.

¹ OIG [Audit Report](#) 10-14, *Adequacy of Quality Assurance Oversight of the Loan Management Accounting System Project*, issued September 13, 2010.

Finding 5

Recommendation 5

We recommend that the Office of Chief Information Officer implement a Quality Assurance program that reports compliance at the project level to the ESC and the BTIC, at regular intervals.

Finding 5: The LMAS-IIP Independent Verification and Validation Program Did Not Exist

The SBA did not have an operational Independent Verification and Validation program, a key oversight component, during the LMAS-IIP. As a result, there is less assurance that LMAS-IIP deliverables meet their user and security requirements before being implemented into production.

The SBA's Standard Operating Procedure 90 41 0—*Procedures for Managing and Assessing the Quality of SBA Information Technology Projects*—provides guidance on SBA's IT Independent Verification and Validation (IV & V) program:

- Independent Verification and Validation is the process of contracting with an independent source to verify and validate that the IT deliverables meet the requirements as outlined in the contract or statement of work [or project requirements].

We requested all IV&V reports of the LMAS-IIP Program from the program manager, but no reports were provided during our review.

The QA manager, who also manages the IV&V program, explained that:

- Adequate resources to perform IV&V reviews of LMAS-IIP deliverables were not obtained, and that the SBA was in the process of obtaining contractor support to perform IV&V functions.

During IV&V testing, a functioning IV&V Program should have found that the SBA's IT Security Office had not been a member of the LMAS-IIP and had not performed a Security Impact Analysis on LMAS user interface screens.

The lack of an IT Independent Verification and Validation program is of concern since our prior audit on LMAS (See Footnote 1), since:

- Eliminating IV&V testing for the LMAS project, the SBA is at risk of deploying a mission critical system with undetected errors and with limited assurances that program and functional requirements are fully satisfied.
- The SBA responded to the prior audit by stating that LMAS would conform to the QA Standard Operating Procedures when those procedures became effective.

Recommendation 6

We recommend that the Office of Chief Information Officer implement an Independent Verification and Validation program for the LMAS-IIP that tests and validates that each IIP meets its program and functional requirements.

Agency Comments: Recommendations 1-4

We provided a draft of this report to the SBA Chief Operating Officer (COO) dated January 23, 2013. On February 25, 2013, the COO submitted formal comments for the LMAS Executive Steering Committee (ESC) which are included in their entirety in the appendix to this report. The ESC concurred with our findings and recommendations. A summary of management's comments, followed by our responses are below.

Recommendation 1

We recommend that the SBA adopt a new Incremental Improvement Project under LMAS to facilitate the transfer of data and move its new COBOL code to a full production environment.

Agency Comments: The ESC concurs. This effort will be aligned with the agency's overall data center consolidation strategy.

OIG Response: We consider management's comments to be responsive to the recommendation.

Recommendation 2

We recommend that the SBA ensure that the Root Cause Analysis Project conforms to the scope originally approved by the BTIC. The Root Cause Analysis should:

- (1) identify the most critical business needs of the SBA;*
- (2) analyze remaining issues when each LMAS-IIP is completed; and*
- (3) develop plans to prioritize additional projects to address SBA's most important business needs.*

Agency Comments: The ESC concurs that the Root Cause Analysis project should address SBA's most important business needs....SBA's remaining issues are analyzed and prioritized within each SBA organization's operations and maintenance activities.

OIG Response: We consider management's comments to be responsive to the recommendation.

Recommendation 3

We recommend that the Office of Chief Information Officer IT Security perform a Security Impact Analysis on the E-Tran user interface screens to determine the security implications of the new user interface screens.

Agency Comments: The ESC concurs with the recommendation for IT Security to perform a Security Impact Analysis on E-TRAN.

OIG Response: We consider management's comments to be responsive to the recommendation.

Recommendation 4

We recommend that the Office of Chief Information Officer IT Security, in conjunction with the SBA Office of Capital Access, initiate the process of reauthorization of E-Tran for operation due to the changes to the operating environment.

Agency Comments: The ESC concurs with the recommendation for IT Security to perform reauthorization of E-TRAN.

OIG Response: We consider management's comments to be responsive to the recommendation.

Agency Comments: Recommendations 5 & 6

Recommendation 5

We recommend that the Office of Chief Information Officer implement a Quality Assurance program that reports compliance at the project level to the ESC and the BTIC, at regular intervals.

Agency Comments: The ESC concurs with the recommendation for OCIO to implement a QA program that reports at the project level to the ESC and BTIC.

OIG Response: We consider management's comments to be responsive to the recommendation.

Recommendation 6

We recommend that the Office of Chief Information Officer implement an Independent Verification and Validation program for the LMAS-IIP that tests and validates that each IIP meets its program and functional requirements.

Agency Comments: The ESC concurs with the recommendation for OCIO to implement an Independent Verification and Validation program for the LMAS-IIP that tests and validates that each IIP meets its program and functional requirements.

OIG Response: We consider management's comments to be responsive to the recommendation.



U.S. Small Business Administration
WASHINGTON, D.C. 20416

DATE: February 25, 2013
TO: John K. Needham
Assistant Inspector General for Auditing
FROM: Paul Christy
Chief Operating Officer
SUBJECT: SBA Response to Briefing Report for the SBA's LMAS/IIP's
CC: Marie Johns, Deputy Administrator
Stephen Kucharski, Office of Capital Access

This memo transmits SBA's response and comments to the findings and recommendations included in your draft *Briefing Report for The SBA Loan Management and Accounting System (Project No. 12-012)*.

The LMAS project team met with the Executive Steering Council (ESC) and briefed the ESC and its chair, Deputy Administrator Marie Johns. The ESC approved the management responses and the expanded document which is attached to this memo.

The ESC looks forward to working with you and your team to continually assess and monitor the successful completion of this critical project.

Attachment

U.S. Small Business Administration



Response to Office of Inspector General (OIG)

Project No, 12-012

February 25, 2013

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1. Executive Summary

This document is intended to respond to the Office of Inspector General's (OIG) report for project number 12-012 dated January 23, 2013. The report presents OIG's findings on a review of the SBA's Loan Management and Accounting System (LMAS) Incremental Improvement Projects (IIPs).

The OIG findings include:

- SBA does not have an IIP to migrate its newly created COBOL code into production;
- Root Cause Analysis project has been altered from its initially approved project;
- Screens migrated from the User Interface Migration project were not security tested and validated;
- Quality Assurance (QA) and Independent Verification and Validation (IV&V) program did not exist during the review of the LMAS-IIPs.

To address the above findings, OIG has made the following recommendations:

- ***Recommendation 1: We recommend that the SBA adopt a new Incremental Improvement Project under LMAS to facilitate the transfer of data and move its new COBOL code to a full production environment.***
- ***Recommendation 2: We recommend that the SBA ensure that the Root Cause Analysis Project conforms to the scope originally approved by the BTIC. The Root Cause Analysis should: (1) identify the most critical business needs of the SBA; (2) analyze remaining issues when each LMAS IIP is completed; and (3) develop plans to prioritize additional projects to address SBA's most important business needs.***
- ***Recommendation 3: We recommend that the Office of the Chief Information Officer IT Security perform a Security Impact Analysis on the E-Tran user interface screens to determine the security implications of the new user interface screens.***
- ***Recommendation 4: We recommend that the Office of the Chief Information Officer IT Security, in conjunction with the SBA Office of Capital Access, initiate the process of reauthorization of E-Tran for operation due to the changes to the operating environment.***
- ***Recommendation 5: We recommend that the Office of the Chief Information Officer implement a Quality Assurance program that reports compliance at the project level to the ESC and the BTIC, at regular intervals.***
- ***Recommendation 6: We recommend that the Office of the Chief Information Officer implement an Independent Verification and Validation program for the LMAS IIP that tests and validates that each IIP meets its program and functional requirements.***

The LMAS IIP Executive Steering Committee (ESC) chaired by the Deputy Administrator, Marie Johns, reviewed the recommendations on February 8th. The ESC's response to each recommendation is outlined in section 3.

2. Background

The table below identifies the offices that own each project. All the projects are governed by the LMAS-IIP Executive Steering Council (ESC) and are subject to review by the OIG. In August 2012, OIG began an audit of LMAS IIP. The initial results were briefed on December 17, 2012.

Table I: LMAS-IIP Project Owners

| IIP Project | Owner |
|--|--|
| R12 | Office of the Chief Financial Officer (OCFO) |
| Incremental Migration of User Interfaces | Office of Capital Access (OCA) |
| Port to New Version of COBOL | OCA |
| Migrate from Sybase to Oracle | OCFO |
| Perform Root Cause Analyses | OCFO |
| Implement Improvements | OCFO |
| Document New Environment (Loan Accounting) | OCA |
| Unisys Bridge/Maintenance | Office of the Chief Information Officer (OCIO) |
| LMAS-IIP Direct Materials and Services (Formerly called Hosting) | OCA/OCFO |
| LMAS-IIP Infrastructure | OCIO |

3. Response to OIG Recommendations

3.1. Recommendation 1 Response

Recommendation: We recommend that the SBA adopt a new Incremental Improvement Project under LMAS to facilitate the transfer of data and move its new COBOL code to a full production environment.

The ESC concurs. This effort will be aligned with the agency's overall data center consolidation strategy.

3.2. Recommendation 2 Response

Recommendation: We recommend that the SBA ensure that the Root Cause Analysis Project conforms to the scope originally approved by the BTIC. The Root Cause Analysis should: (1) identify the most critical business needs of the SBA; (2) analyze remaining issues when each LMAS IIP is completed; and (3) develop plans to prioritize additional projects to address SBA's most important business needs.

The ESC concurs that the Root Cause Analysis project should address SBA's most important business needs. As the scope of the IIPs matured with the submission of the FSAB request, the Root Cause Analyses project was defined to address the agency's critical business needs. For the past two years, the ESC has received updates on the Root Causes Analyses projects and concurred with the scope of the project. SBA's remaining issues are analyzed and prioritized within each SBA organization's operations and maintenance activities.

3.3. Recommendation 3 Response

Recommendation: We recommend that the Office of the Chief Information Officer IT Security perform a Security Impact Analysis on the E-Tran user interface screens to determine the security implications of the new user interface screens.

The ESC concurs with the recommendation for IT Security to perform a Security Impact Analysis on E-TRAN. SBA policies for enhancing an existing accredited system by obtaining approval from the Change Control Board (CCB) and Enterprise Change Control Board (ECCB) were followed. However, the ESC is agreeable to IT Security reviewing the security implications of the new user interface screens.

3.4. Recommendation 4 Response

Recommendation: We recommend that the Office of the Chief Information Officer IT Security, in conjunction with the SBA Office of Capital Access, initiate the process of reauthorization of E-Tran for operation due to the changes to the operating environment.

The ESC concurs with the recommendation for IT Security to perform reauthorization of E-TRAN. The SBA policies for enhancing an existing accredited system by obtaining approval from the CCB and ECCB were followed. Given the increased functionality of E-TRAN, the ESC is agreeable to performing the security reauthorizations as requested by OIG.

3.5. Recommendation 5 Response

Recommendation: We recommend that the Office of the Chief Information Officer implement a Quality Assurance program that reports compliance at the project level to the ESC and the BTIC, at regular intervals.

The ESC concurs with the recommendation for OCIO to implement a QA program that reports at the project level to the ESC and BTIC.

3.6. Recommendation 6 Response

Recommendation: We recommend that the Office of the Chief Information Officer implement an Independent Verification and Validation program for the LMAS IIP that tests and validates that each IIP meets its program and functional requirements.

The ESC concurs with the recommendation for OCIO to implement an Independent Verification and Validation program for the LMAS IIP that tests and validates that each IIP meets its program and functional requirements.