

Office of Inspector General

Small Business Administration

Semiannual Report to Congress

Fall 2013



April 1— September 30, 2013



Small Business Administration
Office of Inspector General
Washington, DC 20416



I am pleased to present the U.S. Small Business Administration (SBA or the Agency) Office of Inspector General's (OIG) Fall 2013 Semiannual Report to Congress. The report provides a summary of the OIG's activities from April 1—September 30, 2013. As our statistics indicate, the OIG's efforts to eliminate fraud, waste, and abuse in SBA programs during this period continue to significantly benefit taxpayers.

During this reporting period, the OIG issued 7 reports containing 32 recommendations for improving SBA operations and reducing fraud and unnecessary losses in the Agency's programs. In addition, OIG investigations resulted in 27 indictments and 28 convictions, and 49 recommendations for suspension and/or debarment. Overall, the OIG achieved monetary recoveries and savings of \$210,344, 190—a 58 percent increase from the prior reporting period, October 1, 2012 through March 31, 2013—from recommendations that funds be put to better use agreed to by management; disallowed costs agreed to by management; court-ordered and other investigative recoveries, fines, and forfeitures; and loans or contracts not made as a result of investigations and name checks.

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

- ◆ Legal actions continue in bribery case involving over \$2 billion in contracts. A former U.S. Army Corps of Engineers program manager was sentenced to 235 months in prison and 36 months of supervised release, and was ordered to pay joint restitution of \$32,553,253. He also was ordered to forfeit \$11,082,687 and specific property. A technology firm and a woman pled guilty to conspiracy and bribery of a public official.
- ◆ \$100 million scheme continues to result in legal actions. The owner of a Maryland loan brokerage company was sentenced to 188 months in prison and 48 months of supervised release, and was ordered to pay restitution of \$36,635,706 and a criminal forfeiture of \$91,449,700. A Maryland woman also was sentenced to 51 months in prison and 36 months supervised release, and was ordered to pay restitution of \$3,593,432 and a criminal forfeiture of \$11,832,000.
- ◆ In the first report in a series for an ongoing audit of purchased 7(a) Recovery Act loans, the OIG found six 7(a) Recovery Act loans were not originated and closed in accordance with SBA rules and regulations, resulting in inappropriate or unsupported disbursements of approximately \$4.6 million.
- ◆ An extensive evaluation of the National Disaster Loan Resolution Center's (NDLRC) operations determined that the NDLRC did not effectively manage delinquent disaster loans to maximize recovery and minimize losses. The OIG estimates that at least 7,198 of 9,035 defaulted disaster loans from June 2006 through June 2011, totaling \$752.6 million, were charged off without SBA using all appropriate collection tools to maximize recovery.

I would like to thank the 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 Acting Administrator Hult and SBA's management to address the issues and challenges facing the Agency.

/s/
Peggy E. Gustafson
Inspector General

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Overview

The Small Business Administration

The mission of the Small Business Administration (SBA or the Agency) 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 Fiscal Years (FY) 2011-2016 Strategic Plan has three overarching goals:

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

The SBA has also identified its Priority Goals for FYs 2012-2013, which are: (1) processing business loans as efficiently as possible, (2) increasing small business participation in government contracting, (3) processing disaster assistance applications efficiently, and (4) expanding access to long-term capital by committing at least \$4.3 billion of capital via the Small Business Investment Company program.

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

The SBA's headquarters is located in Washington, D.C. with staff in 10 regional offices, 68 district offices, their corresponding branch offices, and 4 disaster field offices to deliver business products and services. There are also six government contracting area offices. The 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 the 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.

The 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.

The OIG's activities also help to ensure that SBA employees, loan applicants, and program participants possess a high level of integrity. This is critical to the proper administration of the SBA's programs because it helps ensure that SBA resources are used by those who deserve and need them the most. Appendix I contains information regarding audit and other reports issued by the OIG during this reporting period. Appendix X contains summaries of investigative actions. Copies of OIG reports and other work products are available on the OIG's website at <http://www.sba.gov/office-of-inspector-general>.

Small Business Access to Capital

The SBA has a financial assistance portfolio of guaranteed and direct loans of nearly \$92.7 billion. The Agency's largest lending program, the [Section 7\(a\) Loan Guaranty Program](#), is the 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 the acquisition, operation, or expansion of 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 the SBA has delegated loan-making authority. Additionally, the SBA has centralized many loan functions and reduced the number of staff performing these functions, placing more responsibility on, and giving greater independence to, its lenders. The OIG continues to identify weaknesses in the SBA's lender oversight processes.

The SBA's [Section 504 Loan Program](#) provides small businesses with long-term, fixed-rate financing for the purchase of land, buildings, machinery, and other fixed assets. Local economic development organizations approved by the SBA are known as Certified Development Companies (CDCs). The CDCs package, close, and service these loans, which are funded through a mix of funds from private sector lenders, proceeds from the sale of SBA-guaranteed debentures, and borrower equity investment.

The [Microloan Program](#) provides small (\$50,000 or less), short-term loans and technical assistance to small business concerns, as well as non-profit child-care centers, through SBA-funded intermediary lenders. These lenders are non-profit, community-based organizations with experience in lending and providing management and technical assistance to businesses.

Through the [Small Business Investment Company \(SBIC\) Program](#), the SBA licenses and makes funds available to venture capitalists known as SBICs. The SBICs lend or otherwise invest in small businesses using participating securities made up of contributions from SBA and private investors or funds generated through the sale of SBA-guaranteed debentures.

Criminals Utilize a Variety of Methods to Defraud Loan Programs

Criminals use a wide variety of techniques to fraudulently obtain—or induce others to obtain—SBA-guaranteed loans. These methods 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. As a result, there is a greater chance of financial loss to the Agency and its lenders. Some of the methods are described below.

- ◆ Two Ohio men were sentenced for their roles in a scheme involving a \$1,715,600 SBA-guaranteed loan. The first man was sentenced to one day in prison, three years of supervised release, and 100 hours of community service, and was ordered to pay restitution of \$1,715,650. The second man was sentenced to three years of probation and ordered to pay restitution of \$1,715,650 jointly with the first man. The men provided false and fictitious loan application documents, invoices, and additional supporting documents to a bank and the SBA to secure the loan. This is a joint investigation with the Federal Bureau of Investigation (FBI).
- ◆ A Virginia business owner was sentenced to 57 months of incarceration and 36 months of supervised release, and was ordered to pay \$1,702,123 in restitution jointly and severally with his two co-defendants. He was also ordered to forfeit \$4,243,731. The man previously pled guilty to conspiracy to defraud the United States, conspiracy to commit money laundering, and structuring currency transactions. The investigation revealed that he had participated in a multi-million dollar scheme involving bogus treasury checks and tax returns. He also misrepresented his citizenship status in the course of obtaining a \$149,000 SBA Section 504 loan and a \$203,000 bank loan. The OIG conducted this investigation jointly with the FBI.
- ◆ A California woman was sentenced to three months of imprisonment and one year of super-

vised release. She was also ordered to serve 200 hours of community service and to pay \$1,179,525 in restitution. The woman previously had pled guilty to making false statements to a federally insured bank. The investigation found that the woman failed to disclose liabilities owed to friends and family and past due tax debt in her application for a \$1,750,000 bank loan to consolidate business debt and acquire working capital. The SBA guaranteed this loan using American Recovery and Reinvestment Act funds.

False Equity Injection Increases Business Loan Program Risk

Equity (or capital) injection is a borrower's own financial stake in a business. A person is less likely to default on a loan if he or she personally has something at risk in the business. When lenders require an injection of such money into projects financed by guaranteed loans, some borrowers try to avoid this obligation by falsifying the amount or source of these injections, as shown by the following examples.

- ◆ A Texas attorney pled guilty to misprision of a felony after an investigation revealed that the attorney and two women—the prospective buyer of a business and the seller—conspired to deceive two banks into making loans to the buyer. The conspiracy involved an SBA-guaranteed loan from one bank for \$1.835 million to purchase a laundromat and two private commercial loans from a second bank totaling over \$1.3 million to purchase land. Both purchases involved companies affiliated with the seller. The three people misrepresented the buyer's assets, source of the equity injection, and down payment funds on the loan applications and in conversations with bank personnel. The attorney, while acting as the buyer's escrow officer, fraudulently disbursed \$498,729 of proceeds to the seller without the SBA lender's consent. The seller immediately purchased a \$431,229 cashier's check for the buyer to use as the required equity injection. The seller also paid the attorney \$30,000 to assist in obtaining approval of the loans from both banks. The women have previously pled guilty to their respective charges. This is a joint investigation with the FBI.
- ◆ An Alabama woman was sentenced to five years of probation and was ordered to pay restitution of \$1,380,486 jointly and severally with a co-conspirator in connection with loan fraud. The co-conspirator, an Alabama man, was sentenced to five years of probation (including six months home confinement) and ordered to pay joint restitution of \$1,380,486. He was also ordered to serve 300 hours community service and participate in a mental health evaluation. The woman had obtained a \$1,529,000 SBA-guaranteed loan to purchase a business from the man (the seller). The investigation found that her required \$260,000 equity injection actually came from the seller, and that both individuals falsely represented to the lender that the equity injection came from the woman. To accomplish this, they submitted false bank statements, checks, and certificate of deposit receipts to represent that the funds were originally a gift to the woman from her grandmother. This case was identified by the OIG's Early Fraud Detection Working Group for further review because the business loan had defaulted quickly with an outstanding balance of \$1,380,486.
- ◆ A Texas man pled guilty to conspiracy to commit wire fraud, while a second man pled guilty to the same crime, as well as to wire fraud. The first man provided fraudulent bank statements to a bank when securing a \$990,000 SBA-guaranteed loan to purchase a hotel. Some statements were altered to show a significantly higher account balance, and others showed the man as the account holder when the account actually belonged to the second man, who was the seller of the hotel. The investigation further revealed that the seller secretly funded the buyer's full cash injection, attempting to disguise money loaned to the buyer as consulting fees and sales commissions. The buyer then received a second SBA-guaranteed loan for \$510,000 to make improvements and additions to the hotel. Again, the seller supplied the funds for the buyer's cash injection. Records in the loan file also identified the seller as the general contractor handling the construction project, despite his claim that he was planning to leave the United States.

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- ◆ A North Dakota man was sentenced to 15 months in prison and 60 months of supervised release, and was ordered to pay \$2,781,392 in restitution. He previously pled guilty to bank fraud and to making a false entry in bank records. The man, a former bank loan officer, provided inaccurate and misleading information to secure a \$2 million SBA-guaranteed loan for a business. The investigation also determined that he failed to properly verify the cash injection and to provide the required proof that the loan proceeds were used according to the agreed-upon terms. This case was initiated based on a referral from the SBA National Liquidation and Guaranty Purchase Center in Herndon, VA. This is a joint investigation with the U.S. Secret Service; the Federal Deposit Insurance Corporation (FDIC) OIG; the FBI; the U.S. Immigration and Customs Enforcement, Office of Investigations; and the Tampa (Florida) Police Department.

\$100 Million Scheme Continues to Result in Legal Actions

A scheme to fraudulently obtain SBA-guaranteed loans thus far has resulted in over \$100 million in losses. Included in the scheme are a loan brokerage company, the two brothers who owned the company, a former owner of a Maryland title company, and an attorney who owns a Virginia title company. The OIG conducted this investigation jointly with the FBI and the U.S. Postal Inspection Service. The following actions took place during the reporting period.

- ◆ The owner of a Maryland loan brokerage company was sentenced to 188 months in prison and 48 months of supervised release, and was ordered to pay restitution of \$36,635,707 and a criminal forfeiture of \$91,449,700. The company was owned and operated by the man and his brother and specialized in securing loans for individuals interested in purchasing or refinancing small businesses in the Mid-Atlantic area. The owner and others encouraged prospective

borrowers to apply for Section 7(a) business loans using his firm. Moreover, the owner submitted SBA loan applications and supporting documentation containing fraudulent personal financial information to loan originators and underwriters on behalf of his clients, thereby falsely enhancing the creditworthiness of the borrowers and their businesses.

- ◆ A Maryland woman was sentenced to 51 months in prison and 36 months supervised release, and was ordered to pay restitution of \$3,593,432 and a criminal forfeiture of \$11,832,000. She had previously pled guilty to conspiracy to commit bank fraud and money laundering. The woman worked in Virginia as an attorney and the owner/operator of a title company. She met the two brothers who owned a loan brokerage company and eventually agreed to use her settlement company and law firm to facilitate loan closings for deals that would have otherwise failed to meet banks' lending parameters, including those of Section 7(a) lenders. She further helped the men misrepresent to the banks and to the SBA the true amount of money involved in the transactions and the true names of the parties taking part in the transactions. The fraudulent documentation overstated the net worth and equity injection amounts of the borrowers to enhance their creditworthiness.

New Jersey Men Sentenced for Bank Fraud Scheme

An investigation found that an organized group of foreign nationals obtained credit cards and loans from various lending institutions using false identities, documents, and business names. Loan officers at various banks were also involved in the scheme, with many of the loans being SBA Express loans. The OIG is conducting the investigation jointly with the Internal Revenue Service (IRS) Criminal Investigation (CI), the Englewood (New Jersey) Police Department, and the Bergen County Prosecutors' Office. During the reporting period, two men were sentenced as follows.

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- ◆ A former New Jersey loan officer was sentenced to 36 months of probation and was ordered to pay \$127,822 in restitution after pleading guilty to making false statements and concealing material facts. He had helped secure loans for the above group by falsifying site visit forms for their businesses. He originated sixteen loans totaling over \$1.1 million.
 - ◆ A New Jersey man was sentenced to 24 months in prison and 36 months of probation, and was ordered to pay joint restitution of \$154,623. He had previously pled guilty to conspiracy to commit bank fraud. The man, as a member of the group mentioned above, obtained three SBA-guaranteed Express loans totaling \$130,000, as well as a \$25,000 non-SBA loan, in the names of two fictitious companies.

Restaurant Owner Pleads Guilty to Misapplication of Bank Funds

A man pled guilty to aiding and abetting the misapplication of bank funds. He had been the owner and operator of a Missouri fast food restaurant. In 2005, he moved to North Carolina where he managed another fast food restaurant. He did not play any role in the daily affairs of the Missouri business. In March 2006, he obtained a \$1.6 million SBA loan through a Missouri bank to use as working capital and to pay outstanding debts of the Missouri restaurant. Once the funds were disbursed, he aided and abetted a former executive of the bank and others to misapply \$91,100 of the SBA loan proceeds to benefit third parties not related to the Missouri business. The man is one of 18 individuals charged in a complex conspiracy to defraud the bank and the SBA. To date, 12 of the 18 defendants have pled guilty. This is a joint investigation with the FBI.

Small Business Investment Companies

During this reporting period, the OIG's Auditing Division conducted a review of the SBA's examinations of Small Business Investment Companies (SBIC). During survey work, the OIG identified deficiencies in the management of the SBIC examination

process and as a result, developed a reporting objective to identify key challenges the Office of Investments and Innovation (OII) faced in executing its SBIC examination function.

The OIG found that improvements to SBA processes could enhance the extent to which the Office of SBIC Examinations identifies business conditions and practices prohibited by the Small Business Act and Agency policy. Specifically, the OIG found that the SBA's focus on the frequency of examinations as a strategy for reducing risk did not include a compensating control to ensure that examinations conducted would result in accurate assessments of regulatory compliance. With a greater emphasis on quantity, the OSE runs the risk that the review of an SBIC may be inaccurate or incomplete. To this point, the significant decrease in examination reports with findings could indicate that the quality of these assessments has suffered. Outdated guidance and incomplete examination checklists also affected the quality of the SBIC examination process. The OIG found that the examiners were challenged by limitations in the areas of strategic planning, training, technology, communication and funding. These challenges—coupled with an emphasis on quantity—resulted in examiners not identifying all findings.

Portfolio Risk Management Program

The OIG's Auditing Division conducted an analysis of the SBA's 7(a) loan portfolio data. The evaluation was designed to identify high-risk audit areas and identify loan program, portfolio, and data reliability issues warranting attention by the Agency.

The OIG determined that the SBA had not implemented a program or process to effectively monitor risk in its loan portfolio. The OIG's limited analysis identified three high-volume franchises with historical default rates of at least 46-percent, default values over 38-percent, and loss rates over 18-percent. Further, the OIG determined that over the 2002-2009 period reviewed, the Agency disbursed nearly 1,000 loans to these three franchises, totaling \$199 million. Of these loans, 501, representing \$84 million in Agency guaranties, defaulted. The OIG also identi-

fied five high-volume retail industries with historical default rates of at least 40-percent, default values over 30-percent, and loss rates over 16-percent. The OIG determined that over a seven-year period from 2002 to 2009, loans to these five industries resulted in 4,415 defaults and approximately \$150 million in SBA charge-offs.

According to SBA officials, the Agency had not implemented a program or process to monitor risk in its portfolio because the SBA had traditionally focused on loan approval volume and loss rates to evaluate program performance with risk being assessed at the lender level. The OIG recommended three actions that will help strengthen the SBA's portfolio risk management program. The Agency has recently taken steps towards establishing a program that will monitor portfolio risk, and where necessary, address the types of portfolio risks identified in the evaluation.

New Analytical Techniques Used to Identify Fraudulent Activity

The OIG has developed new analytical techniques to identify fraudulent activity, and to prevent and reduce improper payments on 7(a) loans. During Fiscal Years 2012 and 2013, the OIG conducted a series of audits focused on high-dollar early defaulted 7(a) loans funded under the Recovery Act. These audits utilized a new, internally developed, risk-based sample selection methodology. This methodology allocates rating points according to perceived risks. The perceived risks included time lapse between loan approval and its transfer to liquidation, loan amount, borrower equity injection, loan packager involvement, and the use of loan proceeds.

The results of this special project have been significant. Each of the 17 loans with payments totaling \$16.3 million that have been reviewed to date, have either been referred for further investigation, recommended to the SBA for recovery, or will be recommended to the SBA for recovery in future reports. The following review highlights the success of the new analytical technique and process.

Recovery Act

Purchase Reviews Allowed \$4.6 Million in Improper Payments on 7(a) Recovery Act Loans

The OIG issued the first in a series of reports resulting from the ongoing audit of purchased 7(a) Recovery Act loans. The OIG found that six 7(a) Recovery Act loans were not originated and closed in accordance with SBA rules and regulations including Standard Operating Procedure 50 10 and the Code of Federal Regulations. The deficiencies included loans approved with questionable eligibility, inadequate assurance of repayment ability, equity injection issues, and insufficient collateral. As the deficiencies identified in the six loans were not detected during SBA's purchase reviews, they resulted in inappropriate or unsupported disbursements of approximately \$4.6 million. The OIG recommended that the SBA seek recovery from the six lenders associated with these loans on the guaranties paid by the SBA.

Disaster Loan Program

The Disaster Loan Program plays a vital role in the aftermath of disasters by providing long-term, low-interest loans to affected homeowners, renters, businesses of all sizes, and non-profit organizations. The SBA's current disaster financial assistance portfolio of nearly \$7,297,129,184 billion.

There are two primary types of disaster loans:

(1) physical disaster loans for permanent rebuilding and replacement of uninsured disaster-damaged privately-owned real and/or personal property, and (2) economic injury disaster loans to provide necessary working capital to small businesses until normal operations resume after a disaster. As part of a massive aid effort from Federal agencies, the SBA approves billions of dollars in disaster assistance loans. Unfortunately, the need to disburse such loans quickly may create opportunities for dishonest applicants to commit fraud.

Prosecutions Continue in Gulf Coast Hurricane Aftermath

In one case, a Texas woman was sentenced to 18 months of imprisonment and three years of supervised release, and was ordered to pay \$96,900 in restitution as a result of her guilty plea to theft of government funds. The investigation disclosed that the woman altered repair invoices and filed them with the SBA in support of a \$97,385 disaster loan she received for her Louisiana residence, which was damaged by Hurricane Katrina. In addition, she was convicted for misprision of a felony. She had been sentenced to three years supervised release for participating in a similar scheme involving SBA disaster loans obtained by her family members. This is a joint investigation with the Department of Homeland Security (DHS) OIG.

Fraud Related to Hurricanes Ike and Gustav Results in Legal Actions

Hurricanes Ike and Gustav in 2008 were two of the costliest natural disasters in U.S. history. As with other catastrophes, some individuals devised elaborate schemes to illegally profit from the crisis. For example, a retired Texas judge was sentenced to one year of probation and a \$2,000 fine. Prior to sen-

tencing, he paid back his remaining \$106,000 SBA disaster loan balance. He had made false claims to the SBA and the Federal Emergency Management Agency (FEMA) to obtain Hurricane Ike disaster assistance. According to the investigation, he obtained approximately \$132,000 in SBA and FEMA funds by falsely claiming his primary residence was in Crystal Beach, Texas. Moreover, he provided false statements concerning his required personal equity injection for the SBA disaster loan. The OIG conducted this investigation jointly with the DHS OIG.

Auditing Division Completes Review of the National Disaster Loan Resolution Center

The OIG conducted a comprehensive audit of the National Disaster Loan Resolution Center (NDLRC) from April 2011 to February 2013. As a result of the audit, the OIG issued three reports. In the first report, *The Small Business Administration Did Not Maximize Recovery for \$171.1 Million in Delinquent Disaster Loans in Liquidation*, issued on July 9, 2012, the OIG reported that the SBA did not comply with the Debt Collection Improvement Act (DCIA) of 1996 for loans in liquidation status as of December 31, 2011. The SBA's non-compliance with the DCIA resulted in an estimated \$171.1 million in delinquent disaster loans assigned to the NDLRC not being transferred to Treasury for cross-servicing and collection. In the second report, *The Small Business Administration Risks Loss of Collateral for Four Disaster Loans Totaling \$5.6 Million*, issued on July 31, 2012, the OIG reported that the SBA had not renewed the Uniform Commercial Code (UCC) Financing Statement for a \$1.3 million disaster loan to a condominium association. The report further stated that the SBA provided three additional loans to the same condominium association, totaling an additional \$4.3 million, for which the UCC financing statements were due to lapse by mid-January 2013. The third report, *The SBA Did Not Effectively Manage Defaulted Disaster Loans to Maximize Recovery from 2006 to 2011*, issued on September 27, 2013, is presented below.

The SBA Did Not Effectively Manage Defaulted Disaster Loans to Maximize Recovery from 2006 to 2011

This report provided the results of the OIG's extensive evaluation of the National Disaster Loan Resolution Center's operations, including its evaluation of the NDLRC's successfulness in maximizing recovery for the defaulted debts it charged off from 2006 to 2011. The OIG determined that the NDLRC did not effectively manage delinquent disaster loans to maximize recovery and minimize losses. During the five-year period from June 2006 through June 2011, the NDLRC charged off approximately 9,035 defaulted disaster loans. The OIG estimated that at least 7,198 of these loans, totaling \$752.6 million, were charged off without using all appropriate collection tools to maximize recovery. Specifically, the NDLRC did not: (1) transfer all non-exempt delinquent debts to Treasury cross servicing and offset; (2) analyze most delinquent debts for workout and restructuring potential; (3) liquidate loan collateral; (4) renew UCC financing statements to retain SBA's lien priority in non-real estate collateral; or, (5) refer offer-in-compromise settlements for debts above \$500,000 to the Headquarters Claims Review Committee, as required by the Standard Operating Procedures (SOPs).

The OIG concluded that the SBA was not successful in maximizing recovery because management did not: (1) align the NDLRC mission with Federal debt collection objectives; (2) adhere to existing controls, including Standard Operating Procedures; (3) include requirements of the DCIA in the SOP; (4) provide oversight of loan collateral, or have an effective Management Information System to monitor and track the collateral, (5) ensure that staff were properly trained; or, (6) ensure that management and staff performance goals included effective debt recovery. The OIG made numerous recommendations to correct the identified deficiencies.

Procurement Assistance

Small Business Development & Contracting Programs

The SBA works to maximize opportunities for small, woman or minority-owned, and other disadvantaged businesses to obtain federal contract awards through its government contracting programs. These programs include, among others, the Historically Underutilized Business Zone (HUBZone) Empowerment Contracting Program and the Section 8(a) Business Development Program.

The SBA also negotiates with other federal agencies to establish agency-specific goals for small business contracting with small, disadvantaged, women-owned, service-disabled veteran-owned, and HUBZone businesses. The current government-wide goal is for small businesses to receive 23 percent of the total value of prime contracts awarded each fiscal year.

To help small disadvantaged businesses gain access to federal and private procurement markets, the 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.

The 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 Service Corps of Retired Executives (SCORE), and Women's Business Centers (WBCs). Most of these are grant programs that require effective and efficient management, outreach, and service delivery.

Legal Actions Continue in Bribery Case Involving over \$2 Billion in Contracts

Seventeen individuals and one company either have been charged or have plead guilty, of which 9 individuals have been sentenced, in a scheme involving more than \$30 million in bribes and kickback payments. An ongoing multi-agency investigation uncovered a conspiracy that included the use of a \$1.3 billion Alaska Native Corporation (ANC) sole source contract to pay for the bribes and the planned steering of a \$780 million government contract to a favored Section 8(a) program participant. The individuals involved have

thus far pled guilty to bribery, conspiracy, money laundering, and other charges. They include government officials, executives of 8(a) contractors, and employees of the ANC contractor. This is a joint investigation with the FBI, the IRS CI, the U.S. Army CID, and the Defense Criminal Investigative Service (DCIS). The following legal actions illustrate the extent and complexity of the conspiracy.

- ◆ A former U.S. Army Corps of Engineers (USACE) program manager was sentenced to 235 months in prison and 36 months of supervised release, and was ordered to pay joint restitution of \$32,553,253. He was also ordered to forfeit \$11,082,687 and specific property after having pled guilty to bribery of a public official and conspiracy to commit money laundering. The investigation revealed that the manager had received and accepted things of value, personally and for other persons, from at least three firms and others in return for funding and approving contracts. He also provided preferential treatment to these contractors and subcontractors for contracts awarded and pending award through the USACE. The payments received by and promised to the former manager directly or indirectly, totaled over \$30 million. The investigation further revealed his role in the planned steering of a government contract, with an intended value of \$780 million, to a specific firm.
- ◆ A technology firm pled guilty to conspiracy and bribery of a public official. In addition, a woman pled guilty to conspiracy to commit bribery of a public official. The investigation found that the woman, the technology firm, and others conspired to enrich themselves by the fraudulent diversion of USACE and U.S. Department of the Army contracts and subcontracts to the firm. The company and its representatives paid bribes in return for the public officials using their official positions to provide preferential treatment to the company, an SBA certified 8(a) program participant.

Firms Falsify Eligibility to Gain Contracting Preferences

Some businesses misrepresent their eligibility for the Service-Disabled Veteran-Owned Small Business (SDVOSB) Concern, HUBZone, Section 8(a) Business Development, and ANC programs in order to gain preferences in obtaining federal contracts. Investigations by the OIG and other federal agencies have identified schemes in which companies owned or controlled by non-disadvantaged persons falsely claim to be disadvantaged firms or use actual disadvantaged firms as fronts. The following cases illustrate the nature of the problem.

- ◆ Two officers of a Massachusetts firm were each sentenced for their role in procurement fraud. The vice-president was sentenced to one year and one day in prison and two years of supervised release. He was also ordered to forfeit \$399,000. He had previously pled guilty to conspiracy to commit wire fraud. In addition, the president of the firm was sentenced to six months of home confinement, two years of probation, and 200 hours community service, and was ordered to forfeit \$38,000. The president had previously pled guilty to conspiracy to commit wire fraud. The investigation revealed that the vice-president, using the president's service-disabled status, fraudulently established his firm as an SDVO business for the sole purpose of obtaining set-aside contracts. In reality, the president's association with the business was in name only. Nonetheless, the company received over \$13.6 million in SDVO set-aside procurements from the U.S. Department of Veterans Affairs (VA), the General Services Administration (GSA), and the U.S. Army. Finally, the firm and vice-president were suspended from government contracting opportunities. This case resulted from a referral by the U.S. Government Accountability Office's FraudNet system. The OIG conducted this investigation jointly with the VA OIG, the U.S. Army CID, the Department of Labor OIG, and the GSA OIG.
- ◆ A Maryland man and his wife were each indicted for conspiracy to defraud the United States, wire fraud, making and subscribing a false tax return, aiding and assisting in the preparation of a false tax return, and forfeiture related to schemes to fraudulently seek federal contracts under the Section 8(a) program. The indictment alleged that the couple impermissibly controlled and operated an SBA-certified 8(a) contractor. The husband purportedly arranged for the contractor to be incorporated by a socially disadvantaged employee of a different firm that he owned. The employee had submitted a letter to the SBA stating that he was responsible for the management and long term decision making for the contractor when, in fact, he was not. Consequently, the contractor obtained over \$50 million in contracts set aside for 8(a) businesses. The employee was indicted and pled guilty to making a false statement to the SBA. This is a joint investigation with the DCIS, the GSA OIG, and the IRS CI.
- ◆ A Georgia man was sentenced to 24 months in prison and 24 months of supervised release after having pled guilty to making false statements. In addition, in lieu of restitution, the man paid a case settlement of \$181,556 prior to sentencing. The investigation found that he fraudulently used the status of a legitimate service-disabled veteran to obtain government contracts set aside for SDVO businesses. He then created a joint venture to obtain SDVO contracts. The joint venture received two VA contracts totaling over \$1 million before the joint venture's SDVO status was challenged. In February 2008, the SBA ruled that neither the joint venture nor the man's company qualified for the program based primarily on the veteran's lack of participation in the business. Despite this ruling, the man continued to operate his company as an SDVO business and received three additional contracts totaling approximately \$1.7 million. Moreover, the man forged the veteran's signature on contracts, correspondence, and checks to give the appearance that the veteran ran this business when he did not. This is a joint investigation with the VA OIG, the Department of Agriculture OIG, the Army CID, and the DHS OIG.

Department of Defense Employee Charged with Bribery

A supervisor in the Department of Defense, Construction and Service Contracts Inspection Branch, was charged with bribery. He allegedly agreed to receive a \$40,000 bribe in return for assisting an 8(a) contractor in obtaining a \$4 million flooring contract at a military base. This case is associated with an investigation involving numerous violations of federal statutes, including false statements to the SBA. The allegations of bribery of a public official developed during an investigation into contractors in the SBA's 8(a) Program in San Diego who were allegedly receiving kickbacks from subcontractors. This is a joint investigation with the FBI, the Naval Criminal Investigative Service (NCIS), the IRS CI, the DCIS, and the GSA OIG.

Iowa Individuals and Firms Indicted for Conspiracy and Fraud

Two Iowa individuals and two construction firms were indicted for conspiracy to commit offense(s) or to defraud the United States, major fraud, attempt and conspiracy, and money laundering. One of the individuals and one company were also charged with wire fraud. The individuals and companies allegedly took part in a scheme to obtain approximately \$23.4 million in contracts by falsely claiming one of the companies was a certified SDVOSB. Moreover, the individuals allegedly attempted to cover up the true ownership and control of the alleged SDVO qualified company by misrepresenting its true ownership to the federal government. The company also allegedly acted as a front for the second company and related companies to secure SDVOSB contracts from the VA and the U.S. Department of Defense. Finally, four seizure warrants were issued to secure illicit proceeds of over \$3.6 million from accounts held at financial institutions under the control of the individuals. This is a joint investigation with the DCIS, the GSA OIG, the VA OIG, and the FDIC OIG.

Prosecutions in \$31 Million Fraud Investigation

A Florida man pled guilty to major fraud against the government, and seven individuals in Virginia were each sentenced in connection with fraudulently obtaining over \$31 million in Section 8(a) and small business set-aside contracts. The investigation disclosed a scheme in which two Virginia businesses falsely represented to the government that the second firm was eligible for the 8(a) program when, in fact, it was operated and controlled by the first business.

Specifically, the Florida man admitted that, in 2005, he learned that an executive at a protection services firm illegally controlled another security service consulting company based in Virginia. The consulting company was a participant in the Section 8(a) Program. Although the executive controlled the second firm, the company had obtained its 8(a) status based on the firm's nominal owner's disadvantaged status. The Florida man acknowledged that he agreed to pay the executive of the second firm and the firm itself a fee in exchange for allowing the man to use the 8(a) status to obtain National Aeronautics and Space Administration (NASA) and other U.S. government contracts.

Although the second firm was required to perform at least 50 percent of the work on the contracts and had represented it would do so, no employees from the firm actually performed any work. Instead, the Florida man and others performed all of the work as independent contractors but concealed that fact from the government agencies. He also submitted fraudulent proposals and invoices to hide their scheme, used a third-party company's Federal Employer Identification Number to prevent reporting of his contractor income to the IRS, and did not pay any taxes on the income he received from the firm. In addition to the Florida man's guilty plea, the individuals in Virginia were sentenced as follows.

- ◆ The former chief financial officer of a Virginia-based firm was sentenced to 15 months in prison and one year of supervised release, and was ordered to pay a forfeiture of \$115,557. He had previously pled guilty to conspiracy to commit major fraud against the government.

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- ◆ The former vice president of the same firm was sentenced to 27 months in prison and 24 months of supervised release, and was ordered to pay restitution of \$120,379. He had previously pled guilty to conspiracy to commit major fraud against the government.
 - ◆ The former owner of the same firm was sentenced to 72 months in prison and 24 months of supervised release, and was ordered to pay a \$15,000 fine and a forfeiture of \$6,149,731. He previously pled guilty to major fraud against the government and conspiracy to commit bribery.
 - ◆ The former owner of a second Virginia-based firm was sentenced to 48 months in prison and 36 months of supervised release, and was ordered to pay a fine of \$1 million and to forfeit \$1,232,146. She had previously pled guilty to major fraud against the government.
 - ◆ A regional director of the DHS Federal Protective Service was sentenced to 15 months in prison and 12 months supervised release, and was ordered to forfeit \$12,500. He previously pled guilty to conspiracy to commit bribery. He had entered into an agreement whereby he would be paid \$50,000 annually to assist the second firm in obtaining DHS contracts, but was only paid \$12,500 before the scheme was discovered.
 - ◆ The former president of one of the firms was sentenced to 24 months in prison and 24 months of supervised release, and was ordered to forfeit \$234,351. He previously pled guilty to major fraud against the government.
 - ◆ The former director of one of the firms was sentenced to 24 months of probation. He previously pled guilty to making false statements to the SBA for his role in submitting a false 8(a) application.

This is a joint investigation with the NASA OIG, the DCIS, and the DHS OIG.

North Carolina Men Plead Guilty to False Statements

The chief financial officer (CFO) and the president of a North Carolina masonry firm each pled guilty to making false statements. The men, representing a subcontracting firm, caused the prime contractor of a federal contract at Camp Lejeune, North Carolina, to make a false statement to the U.S. Department of the Navy. The prime contractor claimed to have successfully met its small business subcontracting goals when it had not. The investigation revealed that the Naval Facilities Engineering Command Mid-Atlantic in Norfolk, Virginia, had issued a contract solicitation for a series of construction projects at Camp Lejeune. This over-\$67 million contract was awarded to a prime contractor, with the subcontractor submitting a \$9.4 million bid to do masonry work for the prime contractor. An employee of the prime contractor subsequently told the CFO of the masonry firm that his company would receive the subcontract if it used a minority-owned company. The CFO agreed to use an affiliated company, one that he controlled, to receive the subcontract. However, all of the work on the subcontract passed through the affiliated firm to the masonry company. This is a joint investigation with the DCIS and the NCIS.

Trial Nets Convictions for President and Shareholder of Idaho Firm

After a 26-day trial, the president and majority stockholder of an Idaho construction firm and a minority shareholder in the firm were each found guilty on all counts. The president was found guilty of filing false individual and corporate tax returns, conspiracy to defraud the United States, wire fraud, mail fraud, making false statements, interstate transportation of property taken by fraud, conspiracy to obstruct justice, and obstruction of justice. The minority shareholder was found guilty of obstruction of justice and conspiracy to obstruct justice. The investigation disclosed that the president artificially lowered her personal net worth by acquiring, holding, and transferring assets into the names of nominees in order to appear to be economically disadvantaged. This allowed her construction company to qualify for the Department of Transportation's (DOT) Disadvan-

taged Business Enterprises (DBE) and the SBA's 8(a) programs. She also filed false and fraudulent tax returns that did not report all income she or the business received. The false returns and financial statements were submitted to support the business' applications to the SBA 8(a) Program and the DBE Programs for Idaho and Utah. The business received more than \$2.5 million in federal government contracts based on the company's fraudulently obtained SBA 8(a) status, and more than \$15 million in state government contracts based on the company's fraudulently obtained DBE status. The government is seeking \$9,237,722 in forfeiture, which represents the proceeds obtained as a result of the woman's criminal conduct. This is a joint investigation with the IRS CI, the DOT OIG, and the FBI.

Missouri Firm and Figurehead President Defraud Government

A Missouri contracting firm pled guilty to conspiracy to defraud the U.S. Government. The investigation showed that the firm, which was not a legitimate SDVOSB, received approximately \$3.4 million in SDVOSB set-aside contracts from the VA. Moreover, the firm was not controlled by a service-disabled veteran but acted as a shell company in order for a second construction company to receive SDVOSB contracts that it was not otherwise qualified to receive. The vast majority of work awarded to the contracting firm was passed through to the second firm.

In addition, the president of the contracting firm entered into a pre-trial diversion agreement with the U.S. Attorney's Office in which he accepted responsibility for participating in false, fraudulent, and deceptive government contracting practices. As a service-disabled veteran, he was hired as a figurehead president so that the firm would qualify as an SDVOSB, obtain government contracts, and then serve as a pass-through to the second construction company mentioned above. However, he was not involved in the firm's daily operations nor did he control the company. He received a small percentage of the income from the contracts for his services. The pre-trial diversion agreement defers prosecution for 18 months during which time the man must

meet certain conditions. For example, he has already made \$21,610 in restitution payments to cover the cost of three federal agencies' investigative activities. This is a joint investigation with GSA OIG and the VA OIG.

Legislation Requires SBA Regulations and 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 the disclosure of information regarding individuals or small businesses that have received assistance from an 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 the OIG that it would issue regulations as required by the statute. The SBA prepared a revised version of these regulations during this report period. However, it has not yet issued these regulations for public comment.

In addition, section 21(a)(7) of the Small Business Act states that, until the issuance of these SBDC information disclosure regulations, any SBDC client survey and the use of such information shall be approved by the Inspector General, who shall include such approval in the OIG's Semiannual Report to Congress. According to a report from the Agency, the SBA did not conduct any surveys of SBDC clients during the second half of FY 2013.

Agency Management

Agency management includes activities of the Offices of the Chief Financial Officer (CFO), the Chief Information Officer (CIO), and Management and Administration. These activities encompass financial reporting and performance management, human resources, procurements and grants, space and facilities, and maintenance of the SBA's information systems and related security controls.

Evaluation of SBA's Implementation of the GPRM Modernization Act of 2010

During this reporting period, the OIG completed its *evaluation of SBA's implementation of the GPRM Modernization Act of 2010*. The objective of this evaluation was to determine if the SBA met statutory reporting requirements of the Modernization Act in its 2014 Agency Performance Plan and 2012 Agency Performance Report.

The OIG evaluated the SBA's Performance Management reporting, to include its 2013 and 2014 Agency Performance Plans, 2011 and 2012 Agency Performance Reports, and Agency Quarterly Performance Update presentations. The OIG also evaluated a limited sample of program performance indicators to understand how performance information is reported to the SBA Performance Management Office. The OIG performed this review in accordance with *Quality Standards for Inspection and Evaluations* issued by the Council of the Inspectors General on Integrity and Efficiency.

The OIG found the SBA to be generally compliant with the Modernization Act's reporting requirements; however, the OIG identified omissions in a few areas. The OIG made one recommendation to help improve the SBA's Modernization Act Reporting.

SBA Gift Authority

Section 4(g)(2) of the Small Business Act, as amended, provides that any gift, devise, or bequest of cash accepted by the Administrator under Section 4(g) shall be held in a separate account and shall be sub-

ject to semiannual audit by the Inspector General, who shall report his findings to Congress.

- During the April 1-September 30, 2012, reporting period, the SBA's Office of Strategic Alliances reported that one cash gift was accepted in the amount of \$16,786 and recorded in the Business Assistance Trust Fund (BATF). At the time of issuance of the Spring 2013 Semiannual Report to Congress (October 1, 2012-March 30, 2013), the OIG's final report related to the audit of that cash gift had not yet been issued. Details of that audit follow this section.
- During the previous reporting period,, the SBA's Office of Strategic Alliances accepted one cash gift in the amount of \$10,000. The results of the audit for that cash gift will be addressed in the next reporting period.
- The SBA's Office of Strategic Alliances reported that they did not accept any cash gifts for this reporting period.

Evaluation of SBA's 2012 Cash Gifts

In compliance with the Small Business Act, the OIG conducted an audit of the cash gift of \$16,786 that was reported during the previous reporting period. The SBA has gift authority under sections 4(g), 8(b)(1)(G), 5(b)(9) and 7(k)(2) of the Small Business Act (the Act). The objective of this review was to assess whether the SBA was following established procedures for soliciting, accepting, holding, and utilizing cash gifts in fiscal year 2012. Section 4(g)(2) of the Act provides that any gift, devise, or bequest of cash accepted by the Administrator shall be held in a separate account and shall be subject to semi-annual audits by the Inspector General who shall report his or her findings to Congress.

The objective of this review was to determine whether SBA officials followed established procedures for soliciting, accepting, holding, and utilizing cash gifts in 2012. To achieve the objective, the OIG obtained an understanding of laws, regulations, and SBA policies and procedures regarding its gift authority. Lastly, the OIG examined documentation obtained from

officials in the Offices of Strategic Alliances and the Chief Financial Officer for cash gifts posted to the Business Assistance Trust Fund (BAT Fund) between August and November 2012.

The OIG determined the SBA adequately complied with the Act regarding the acceptance, holding, and utilization of cash gifts. The responsible SBA officials determined the gifts were something the Agency could use and that its use would further the mission of the Agency. The non-federal organizations that gifted cash donations were properly vetted through the SBA's program offices to ensure no business relationships existed that would cause a conflict of interest in accordance with the Act.

During the 2011 review, the OIG noted that the SBA had not had permanent procedures on gift acceptance in place since 2007. The OIG also noted that the procedural notice that prescribes SBA's control over the BAT Fund expired in 2005. The OIG previously recommended that the SBA's Office of General Counsel collaborate with the Offices of the Chief Financial Officer and Strategic Alliances to issue SOP 90 53 to include procedures for soliciting, accepting, depositing, expending, and tracking expenditures, as well as documentation retention requirements for cash gifts. During the FY 2012 review, the OIG found that the SBA has not issued this SOP.

SBA Enterprise-wide Controls Over Cosponsored Activities

The OIG completed its limited scope audit of SBA's enterprise-wide controls over cosponsored activities. The objective of this limited scope audit was to determine the adequacy of controls over the SBA's cosponsored activities in accordance with federal laws, regulations, and policies. The OIG did not assess the validity and eligibility of individual expenses for the cosponsored activities.

The OIG determined that for its cosponsored activities, the SBA did not fully implement effective controls to comply with the requirements stipulated in Title 13, Part 106 of the Code of Federal Regulations (CFR) and Standard Operating Procedure (SOP) 90 75

3, Outreach Activities. Specifically, the SBA did not (1) consistently vet and perform conflicts of interest determinations, (2) report on the results of its activities within established timeframes, and (3) control excess funds that remained at the conclusion of those activities.

The OIG concluded that opportunities exist to strengthen SBA's controls over cosponsored activities that include:

- Fully implementing additional controls over cosponsorship approval and closeout procedures;
- Strengthening controls over the maintenance of official cosponsorship files to ensure that all required documentation is obtained; and
- Performing effective Quality Service Reviews on all cosponsored activities to ensure that laws, regulations, and SBA policy were followed.

To help implement stronger controls and oversight of cosponsored activities, the OIG made eight recommendations to several SBA officials.

Cosponsorships and Fee-Based Administration-Sponsored Events

Section 4(h) of the Small Business Act, as amended, requires the OIG to report to Congress on a semi-annual basis regarding the Agency's use of its authority in connection with cosponsorships and fee-based Administration-sponsored events. The SBA's Office of Strategic Alliances provided information to the OIG related to co-sponsorships, including the names, dates, and locations of the cosponsored events and the names of the cosponsors. This information was not verified by the OIG. As shown in Appendix IX, between April 1 and September 30, 2013, the Administrator—through her approved designees—fully executed 142 cosponsorship agreements.

Other Significant OIG Activities

Character Screening Reduces Potential Program Fraud

Participants in SBA programs involving business loans, disaster assistance loans, Section 8(a) certifications, surety bond guarantees, SBICs, and CDCs must meet Agency character standards. To help ensure that this occurs, the OIG's Office of Security Operations utilizes name checks and, where appropriate, fingerprint checks to determine criminal background information. During this reporting period, the OIG processed 2,570 external name check requests for these programs.

The OIG also refers applicants who appear ineligible because of character issues to program officials for adjudication. The referrals are based on data from the OIG's on-line connection with the FBI. As a result of OIG referrals during this reporting period, SBA business loan program managers declined 20 applications totaling \$8,714,062 and disaster loan program officials declined 37 applications totaling \$2,554,805. In addition, the Section 8(a) program declined 5 applications for admission.

During this reporting period, the OIG also initiated 155 background investigations and issued 22 security clearances for Agency employees and contractors. The OIG also adjudicated 75 background investigative reports and coordinated with SBA's Office of Disaster Assistance to adjudicate 167 derogatory background investigation reports. Finally, the OIG processed 1,065 internal name check requests for Agency activities such as success stories, "Small Business Person of the Year" nominees, and disaster assistance new hires.

The OIG Promotes Debarment and Other Administrative Enforcement Actions

As a complement to the OIG's criminal and civil fraud investigations, the OIG continually promotes the use of suspensions, debarments and other administrative enforcement actions. These actions protect taxpayer funds from parties who have engaged in fraud or otherwise exhibited a lack of busi-

ness integrity. The OIG regularly identifies individuals and organizations for debarment and other enforcement actions and submits detailed recommendations with supporting evidence to the responsible SBA officials. Most OIG administrative referrals involve the abuse of SBA's loan and preferential contracting programs. Where appropriate, the OIG recommends that the SBA suspend the subject of an ongoing OIG investigation given program risk presented by the continued participation of those individuals and entities.

During this reporting period, the OIG sent 49 suspension and debarment referrals to the SBA. Additionally, OIG investigations resulted in four suspension or debarment referrals that went to other agencies. The OIG also referred several other entities for program termination and other administrative enforcement actions. (The Statistical Highlights section of this Report contains additional suspension and debarment statistics.)

The following provides examples of OIG referrals for administrative enforcement actions during the reporting period:

Contractors Referred for Debarment Based Upon 8(a) Pass-Through Scheme

The OIG referred two government contractors and the presidents of those contractors for debarment based upon judicial findings in private litigation in a local court. The judge in the case found that the subcontractor "fraudulently obtain[ed] a small business preference to which it was not entitled by acting through [the 8(a) contractor], the nominal eligible small business." The court made this finding in response to a suit the subcontractor brought against the 8(a) contractor on an 8(a) set-aside demolition contract.

Individual Who Assisted a Former SBA Official in Criminal Wrongdoing Referred for Debarment

The OIG also referred an individual for debarments based on that individual's role in assisting a former SBA employee defraud the SBA. The former employee defrauded the SBA by selling defaulted SBA loans

to family members for a fraction of the fair market value of those loans. The SBA referred the former employee for debarment in a previous reporting period.

Debarment Recommended for Fraudulent Representations Relating to Service Disabled Veteran Owned Contractor Status.

The OIG referred two companies and several individuals for suspension based on an apparent “rent-a-vet” scheme. In this scheme, a non-disadvantaged company used a sham company, which appeared to qualify as a Service Disabled Veteran Owned Small Business (SDVOSB), to obtain contracts reserved for SDVOSBs. The sham company, however, was not a functioning company, and was simply a vehicle to allow the initial firm to obtain, improperly, contracts reserved for disabled veterans’ companies.

Contractor and Contractor’s President Referred for Debarment due to HUBZone Misrepresentations.

Finally, the OIG referred a former HUBZone contractor, and the president of that contractor, for debarment based upon false statements regarding the contractor’s principal office. Companies must have a principal office in a HUBZone to comply with program requirements. The contractor represented to the SBA that a room located in a business incubator building was the contractor’s principal office although the room was not large enough to have served as a principal office. The contractor, however, had a large commercial space located outside of a HUBZone that apparently served as the contractor’s principal office. Although the company did not receive any HUBZone contracts, both the company and its president appeared to have made false statements to the Government regarding the principal office to the Government on several occasions.

The OIG Provides Training to Multiple Agencies to Promote Debarment

During the reporting period, OIG representatives continued to provide suspension and debarment training to auditors, inspectors, evaluators, and attorneys throughout Federal OIGs in coordination with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Training Institute. The CIGIE Training Institute held two training sessions with practical exercises teaching OIG employees how to prepare suspension and debarment referrals from audits.

Representatives of the OIG also made a presentation addressing suspension, debarment and Program Fraud Civil Remedies Act topics at the Annual Federal Audit Executive Council Conference. This presentation provided, among other things, an executive-level background on suspension and debarment as well as best practices to incorporate suspension and debarment reviews into normal OIG audit work.

The OIG Heads up CIGIE Cross Cutting Project to Promote Use of the Program Fraud Civil Remedies Act

The OIG is heading a cross cutting project that the CIGIE established in November 2012 to promote government-wide use of the Program Fraud Civil Remedies Act (PFCRA). The PFCRA provides an administrative remedy so that agencies may seek recovery for false claims of up to \$150,000 administratively rather than initiating a case in Federal court. A report issued by the Government Accountability Office based upon a survey of OIGs found that many Federal agencies were making limited or no use of the PFCRA.

The OIG established a PFCRA Working Group (the Group) with representatives from multiple OIGs to examine the issue and develop solutions to expand use of the statute. During the reporting period, the Working Group took several concrete steps to promote use of PFCRA to combat fraud, including the development of a practitioner’s guide to provide guidance on PFCRA procedures and litigation. The

Group also worked with the Department of Justice (DOJ) on the development of templates to expedite DOJ's review and approval of proposed PFCRA actions. The OIG appreciates the significant contributions from OIGs at the Department of Housing and Urban Development, the National Science Foundation, the Department of the Interior, the Department of Health and Human Services, the Nuclear Regulatory Commission, and the Environmental Protection Agency. The Working Group's efforts will continue into the next reporting period.

program. Additionally, the OIG recommended changes to regulations the SBA was proposing that would potentially affect the Government's ability to prosecute fraud in SBA small and disadvantaged contracting programs. The OIG also provided extensive comments on a large number of SBA internal procedures to promote accountability and greater effectiveness in SBA programs and operations.

* * *

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 the OIG's proactive efforts to promote accountability and integrity and reduce inefficiencies in SBA programs and operations, the OIG reviews changes that the SBA proposes to make to its program directives. These changes include regulations, internal operating procedures, agency policy notices, and SBA forms completed by the public. Frequently, the OIG identifies material weaknesses in the proposed revisions and works with the Agency to implement recommended revisions to promote controls that are more effective and deter waste, fraud, or abuse. During the reporting period, the OIG reviewed 62 proposed revisions of these program directives and submitted comments designed to improve 32 of these initiatives.

For example, during the reporting period, the OIG provided comments on several critical directives for SBA's small business financial assistance programs. These comments resulted in the Agency making revisions to deter fraud by loan agents, reduce the possibility of losses, and enhance program oversight capabilities. This included significant comments aimed at improving the Agency's procedures for loan processing and underwriting by lenders in the 7 (a) loan guaranty program. Further, they would improve oversight of servicing and liquidation by certified development companies in the 504-loan

The OIG Hotline

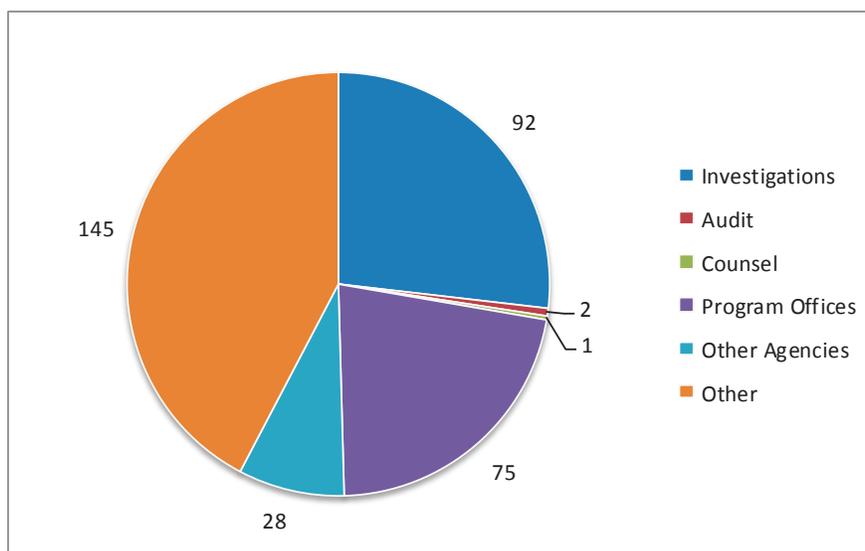
The OIG Hotline reviews allegations of waste, fraud, abuse, or serious mismanagement in the SBA or its programs from employees, contractors, and the public. During FY 2013, operational enhancements included the designation of the OIG Hotline as the repository of all Whistleblower complaints, and the Hotline Director as the Whistleblower Ombudsman. The Whistleblower Ombudsman educates SBA employees about prohibitions on retaliation for whistleblowing, as well as employees' rights and remedies if anyone retaliates against them for making a protected disclosure.

During this reporting period, the Hotline received 343 complaints requiring additional analysis or referral. A preliminary review of all complaints is conducted to determine the appropriate course of action. As part of the review process, Hotline staff may coordinate reviews of allegations with Investigations, OIG Counsel, Auditing, and SBA Program Offices. Outcomes of investigations initiated as a result of a Hotline complaint are monitored by Hotline staff.

The Hotline acquired additional personnel in FY 2013, enhancing complaint research and analysis; improving Hotline liaison with the public; increasing collaboration within the OIG Hotline community; and ensuring more effective complaint resolution. Additional improvements enabled the Hotline to independently research and analyze a higher number of complaints, resulting in a 29 percent decrease in referrals to SBA Program Offices; a 33 percent decrease in referrals to OIG Investigations; an 80 percent decrease in referrals to other agencies; and an overall 21 percent increase in complaints resolved by the Hotline.

Additionally, Hotline staff established a new tracking system designed to enhance customer service that recorded 398 complaint calls to the hotline. These inquiries were resolved by Hotline staff on intake. Typically, these complaints relate to programs or services that are not under the purview of the SBA or any SBA program, and as such, require no further OIG involvement. As a result, they have not been included in any hotline statistics reported in the summary statistics beginning on page 25 of this report.

Number of Hotline Complaints Received and Related Referral Actions



Whistleblower Ombudsman

During this reporting period, pursuant to the Whistleblower Protection Enhancement Act of 2012, the OIG has established a Whistleblower Ombudsman within the Hotline function to educate SBA employees about prohibitions on retaliation for whistleblowing, as well as employees' rights and remedies if anyone retaliates against them for making a protected disclosure (i.e. "Whistleblowing").

Federal law prohibits governmental personnel from retaliating against an employee who acts as a whistleblower by reporting suspected waste, fraud, or abuse to the OIG. In addition, the National Defense Authorization Act of 2013 extends whistleblower protections to government contractors, subcontractors and grantees. Protected whistleblowing is defined as disclosing information, which the discloser reasonably believes evidences:

- ◆ a violation of law, rule or regulation,
- ◆ gross mismanagement,
- ◆ gross waste of funds,
- ◆ an abuse of authority, or
- ◆ a substantial and specific danger to public health or safety.

Comprehensive information related to Whistleblower Protection may be found on the OIG's website, at <http://www.sba.gov/office-of-inspector-general/23914>. The Whistleblower Ombudsman may be contacted via email at OIGOmbudsman@sba.gov.

Statistical Highlights:

April 1-September 30, 2013

Summary of Office-Wide Dollar Accomplishments

As a Result of Investigations & Related Activities	
-Potential Investigative Recoveries & Fines	\$72,285,921
-Asset Forfeitures Attributed to OIG Investigations	\$126,789,402
-Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$0
-Loans Not Made as a Result of Name Checks	\$11,268,867
Investigations Sub-Total	\$210,344,190
As a Result of Audit Activities	
-Disallowed Costs Agreed to by Management	\$0
-Recommendations that Funds Be Put to Better Use Agreed to by Management	\$0
Audit Sub-Total	\$0
TOTAL	\$210,344,190

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

Reports Issued	7
Recommendations Issued	32
Dollar Value of Costs Questioned	\$44,109,984
Dollar Value of Recommendations that Funds be Put to Better Use	\$0
Recommendations for which Management Decisions Were Made	12
Recommendations Without a Management Decision	59
Collections as a Result of Questioned Costs	\$1,074,225

Indictments, Convictions, Case Actions

Indictments from OIG Cases	27
Convictions from OIG Cases**	28
Cases Opened	26
Cases Closed	35

SBA Personnel Actions Taken as a Result of Investigation

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

Hotline Complaints Received and Related Referral Actions

Investigations	92
Audit	2
Counsel	1
Program Offices	75
Other Agencies	28
Other*	145
TOTAL	343

*Other refers to complaints resolved by Hotline staff in which no action was taken or no referral was required.

Program Actions Taken During the Reporting Period as a Result of Investigations

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	62
Suspensions and/or Debarments Recommended to the Agency*	49*
—Pending at the Agency as of September 30, 2013**	51
Suspensions Issued by the Agency	5
Proposed Debarments Issued by the Agency	26
Final Debarments Issued by the Agency	6
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	0
Suspension and Debarment Actions by Other Agencies	4
Program Actions	
—Termination from SBA Programs	3
—Termination from Other Government Programs	1
—Size Determination	1

* The SBA agreed to allow another agency to take lead agency status on 8 of the 49 OIG referrals. Under Federal debarment procedures, when more than one agency has an interest in pursuing a debarment, those agencies confer and determine which agency will take the action.

**Some of these referrals have been pending for more than six months. As of September 30, 2013, the SBA had initiated action on 33 of the 51 pending referrals from the OIG.

Full Year Statistical Highlights:

Fiscal Year 2013

Summary of Office-Wide Dollar Accomplishments

As a Result of Investigations & Related Activities	
-Potential Investigative Recoveries & Fines	\$92,917,594
-Asset Forfeitures Attributed to OIG Investigations	\$185,659,456
-Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$950,000
-Loans Not Made as a Result of Name Checks	\$25,834,020
Investigations Sub-Total	\$305,361,070
As a Result of Audit Activities	
-Disallowed Costs Agreed to by Management	\$2,126,145
-Recommendations that Funds Be Put to Better Use Agreed to by Management	\$40,700,000
Audit Sub-Total	\$42,826,145
TOTAL	\$348,187,215

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

Reports Issued	19
Recommendations Issued	129
Dollar Value of Costs Questioned	\$45,884,433
Dollar Value of Recommendations that Funds be Put to Better Use	\$40,700,000
Recommendations for which Management Decisions Were Made	109
Recommendations Without a Management Decision	59
Collections as a Result of Questioned Costs	\$1,932,999

Indictments, Convictions, Case Actions

Indictments from OIG Cases	64
Convictions from OIG Cases**	51
Cases Opened	50
Cases Closed	65

SBA Personnel Actions Taken as a Result of Investigations

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

Hotline Complaints Received and Related Referral Actions

Investigations	230
Audit	4
Counsel	3
Program Offices	180
Other Agencies	171
Other*	265
TOTAL	853

*Other refers to complaints resolved by Hotline staff in which no action was taken or no referral was required.

Program Actions Taken During the Reporting Period as a Result of Investigations

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	115
Suspensions and/or Debarments Recommended to the Agency*	65
—Pending at the Agency as of September 30, 2013**	79
Suspensions Issued by the Agency	10
Proposed Debarments Issued by the Agency	34
Final Debarments Issued by the Agency	16
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	3
Suspension and Debarment Actions by Other Agencies	17
Program Actions	
—Termination from SBA Programs	3
—Termination from Other Government Programs	1
—Size Determination	1

* The SBA agreed to allow another agency to take lead agency status on 8 of the 49 OIG referrals. Under Federal debarment procedures, when more than one agency has an interest in pursuing a debarment, those agencies confer and determine which agency will take the action.

**Some of these referrals have been pending for more than six months. As of September 30, 2013, the SBA had initiated action on 33 of the 51 pending referrals from the OIG.

Appendix I: OIG Reports Issued

April 1-September 30, 2013

Small Business Access to Capital

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
The SBA's Portfolio Risk-Management Program Can be Strengthened	13-17	7/2/2013	\$0	\$0
Program Subtotal	1		\$0	\$0

Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Evaluation of SBA's Implementation of the GPRA Modernization Act of 2010	13-19	9/27/2013	\$0	\$0
Evaluation of SBA 2012 Cash Gifts	13-20	9/26/2013	\$0	\$0
SBA's Enterprise-wide Controls Over Cosponsored Activities	13-21	9/26/2013	\$0	\$0
Program Subtotal	3		\$0	\$0

Small Business Investment Company Program

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Improved Examination Quality Can Strengthen SBA's Oversight of Small Business Investment Companies	13-22	9/30/2013	\$0	\$0
Program Subtotal	1		\$0	\$0

Recovery Act

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
The Small Business Administration's Improper Payment Rate for 7(a) Guaranty Purchases Remains Significantly Underestimated	13-16R	6/14/2013	\$4,609,984	\$0
Program Subtotal	1		\$4,609,984	\$0

Disaster Loans

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
The SBA Did Not Effectively Manage Defaulted Disaster Loans to Maximize Recovery from 2006 to 2011	13-18	9/27/2013	\$39,500,000	\$0
Program Subtotal	1		\$39,500,000	\$0
TOTALS (All Programs)	7		\$44,109,984	\$0

Appendix II: Reports

With Questioned Costs

		Reports	Recommendations*	Questioned Costs**	Unsupported Costs***
A.	No management decision made by March 31, 2013	2	4	\$9,030,560†	\$9,030,560†
B.	Issued during this reporting period	2	10	\$44,109,984	\$0
	Universe from which management decisions could be made in this reporting period – Subtotals	4	14	\$53,140,544	\$9,030,560
C.	Management decision(s) made during this reporting period	0	0	\$0	\$0
	(i) Disallowed costs			\$0	\$0
	(ii) Costs not disallowed			\$0	\$0
D.	No management †decision made by September 30, 2013	4	14	\$53,140,544	\$9,030,560

* 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.

† This amount was originally reported as \$172,830,560 in the Spring 2013 SAR. The new amount reflects an adjustment made during the audit follow-up process with the Agency.

Appendix III: Reports

With Recommendations that Funds Be Put to Better Use

		Reports	Recommendations*	Recommended Funds For Better Use
A.	No management decision made by March 31, 2013	1	1	\$43,000,000
B.	Issued during this reporting period	0	0	\$0
	Universe from which management decisions could be made in this reporting period – Subtotals	1	1	\$43,000,000
C.	Management decision(s) made during this reporting period	0	0	\$0
	(i) Recommendations agreed to by SBA management	0	0	\$0
	(ii) Recommendations not agreed to by SBA management	0	0	\$0
D.	No management decision made by September 30, 2013	1	1	\$43,000,000

*Reports may have more than one recommendation.

Appendix IV: Reports

With Non-Monetary Recommendations

		Reports	Recommendations
A.	No management decision made by March 31, 2013*	10	34**
B.	Issued during this reporting period	6	22
	Universe from which management decisions could be made in this reporting period – Subtotals	16	56
C.	Management decision(s) made (for at least one recommendation in the report) during this reporting period	7	12
D.	No management decision made by September 30, 2013*	14	44

* Adding the number of reports for C. & D. will not result in the subtotal of A. & B. because any single report may have recommendations that fall under both C. & D.

** Information is different from what was previously reported due to database corrections.

Appendix V: Reports

From Prior Periods with Overdue Management Decisions

Title	Report Number	Date Issued	Status
SBA's Funding of Information Technology Contracts Awarded to ISIKA Technologies, Inc.	11-14	6/2/2011	Management has not responded to two recommendations in the report.
Small Business Administration's Rationale for Excluding Certain Types of Contracts from the Annual Small Business Procurement Calculations Needs to be Documented	12-04	12/6/2011	Management has not responded to five recommendations in the report.
The Small Business Administration did not Maximize Recovery for \$171.1 Million in Delinquent Disaster Loans In Liquidation	12-14	7/2/2012	Management has not responded to two recommendations in the report.
A Detailed Repayment Ability Analysis is Needed on High-Dollar Early-Defaulted Loans to Prevent Future Improper Payments	12-18	8/16/2012	Management has not responded to one recommendation in the report.
Benefits of Mentor Protégé Joint Ventures are Unknown: Robust Oversight is Needed to Avoid Abuse and Assure Success	13-03	10/23/2012	Management has not responded to two recommendations in the report.
Independent Auditor's Report on the SBA's FY 2012 Financial Statements	13-04	11/14/2012	Management has not responded to one recommendation in the report.
The Small Business Administration's Improper Payment Rate for 7(a) Guaranty Purchases Remains Significantly Underestimated	13-07	11/15/2012	Management has not responded to three recommendations in the report.
The SBA Mismanaged Certain 8(a) Information Technology Contracts	13-08	2/3/2012	Management has not responded to three recommendations in the report.
SBA's Inappropriate Contracting Practices to reconfigure Space for the Office of International Trade	13-12	3/26/2013	Management has not responded to three recommendations in the report.
The SBA's 417 Unauthorized Commitments Impacted Mission-Related Services and Increased Costs	13-14	3/28/13	Management has not responded to seven recommendations in the report.
Briefing Report for the FY 2012 Federal Information Security Management Act Review	13-15	3/29/2013	Management has not responded to one recommendation in the report.

**“Overdue” is defined as more than 180 days from the date of issuance.

Appendix VI: Reports

Without Final Action as of September 30, 2013

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**
0-14	7(a) Service Fee Collections	3/30/00	8/22/00	12/31/13
4-34	Audit of SBA's Process for Complying with the Federal Managers' Financial Integrity Act Reporting Requirements	7/29/04	9/9/04	6/30/13
6-10	FY 2005 Financial Statements - Management Letter	1/18/06	3/7/06	9/30/13
8-12	Oversight of SBA Supervised Lenders	5/9/08	6/20/08	12/31/14
9-05	Audit of SBA's Fiscal Year 2008 Financial Statements - Management Letter	12/17/08	2/18/09	12/31/13
9-17	Review of Allegations Concerning How the Loan Management and Accounting System Modernization Project is Being Managed	7/30/09	8/28/09	9/30/09
ROM 10-14	Accuracy of Recovery Act Contract Award Obligations Reported to the Federal Procurement Database System - Next Generation and Recovery.Gov	4/15/10	5/3/10	1/31/12
ROM 10-16	SBA's Planning and Award of the Customer Relationship Management Contracts	6/29/10	3/28/11	9/30/11
10-14	Adequacy of Quality Assurance Oversight of the Loan Management and Accounting System Project	9/13/10	10/21/10	6/13/10
ROM 10-19	Material Deficiencies Identified in Early-Defaulted and Early-Problem Recovery Act Loans	9/24/10	4/1/11	1/31/13
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	2/7/11	4/30/11
11-06	Weaknesses Identified During the FY 2010 FISMA Review	1/28/11	3/28/11	**

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**
11-07	Processing of Insurance Recovery Checks at the Disaster Loan Servicing Centers	2/10/11	4/7/11	12/31/13
11-08	SBA's Procurement of Information Technology Hardware and Software Through Isika Technologies, Inc.	2/25/11	3/30/11	1/31/12
ROM 11-04	Quality of SBA's Recovery Act Data on Public Websites	3/22/2011	10/6/11	**
11-10	Management Advisory Report on Records Management and Documentation Process at the Disaster Loan Servicing Centers	3/29/11	6/20/11	12/31/13
11-11	Effectiveness of SBA's Surveillance Review Process	3/31/11	*	12/31/11
11-14	SBA's Funding of Information Technology Contracts Awarded to ISIKA Technologies, Inc.	6/2/11	8/1/11	12/31/11
12-02	Independent Auditors' Report on the SBA's FY 2011 Financial Statements	11/14/11	12/22/11	**
12-05	KPMG Management Letter Communicating Matters Relative to SBA's FY 2011 Financial Statements	12/15/11	1/25/12	9/30/12
12-08	SBA's Lender Loan Reporting Process has Systemic Reporting Issues and Data Control Weaknesses	2/23/12	5/3/12	5/1/13
12-10	FY 2011 Review of SBA's Improper Payments	3/15/12	*	**

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**
12-11R	High-Dollar Early-Defaulted Loans Require an Increased Degree of Scrutiny and Improved Quality Control at the National Guaranty Purchase Center	3/23/12	*	**
12-12	The SBA's Office of International Trade Inappropriately Awarded a One Million Dollar State Trade and Export Promotion (STEP) Program Grant to an Ineligible Recipient	3/30/12	1/18/13	9/30/17
12-13	Review of the SBA's Cash Gifts	3/30/12	6/19/12	6/30/13
12-14	The Small Business Administration did not Maximize Recovery for \$171.1 Million in Delinquent Disaster Loans In Liquidation	7/2/12	*	**
12-15	Weaknesses Identified During the FY 2011 Federal Information Security Management Act Review	7/16/12	8/16/12	**
12-16	The Small Business Administration's Inappropriate Use of the Government Purchases Card for Construction Purchases	8/6/12	9/11/12	**
12-18	A Detailed Repayment Ability Analysis is Needed on High-Dollar Early-Defaulted Loans to Prevent Future Improper Payments	8/16/12	11/3/12	**
12-21	The SBA Needs to Improve Its Management of the State Trade and Export Promotion Grant Program,	9/25/12	11/16/12	3/31/13
12-20R	Addressing Performance Problems of High-Risk Lenders Remains a Challenge for the Small Business Administration	9/28/12	11/16/12	2/28/14

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**
12-22	The SBA's Ratification Process Could Lead to Possible Anti-Deficiency Act Violations	9/28/12	10/12/12	3/31/12
13-03	Benefits of Mentor Protégé Joint Ventures are Unknown: Robust Oversight is Needed to Avoid Abuse and Assure Success	10/23/12	1/24/13	9/30/13
13-04	Independent Auditor's Report on the SBA's FY 2012 Financial Statements	11/14/12	*	**
13-07	The Small Business Administration's Improper Payment Rate for 7(a) Guaranty Purchases Remains Significantly Underestimated	11/15/12	3/12/13	**
13-08	The SBA Mismanaged Certain 8(a) Information Technology Contracts	12/3/12	*	**
13-09	Audit of the SBA's FY 2012 Financial Statements Management Letter	12/11/12	*	**
13-11	The SBA's Loan Management and Accounting System Incremental Improvement Projects	3/12/13	*	**
13-17	The SBA's Portfolio Risk-Management Program Can be Strengthened	7/2/2013	9/30/2013	**

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Appendix VII: Significant Recommendations

From Prior Reporting Periods Without Final Action as of September 30, 2013

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
9-17	7/30/09	Establish a process for reviewing and accepting LMAS deliverables that complies with SDM requirements.	8/28/09	9/30/09
ROM 10-14	4/15/10	Reconcile Recovery Act contract awards reported to FPDS-NG and Recovery.Gov and report to Recovery.Gov all non-competitive contract awards previously not reported to Recovery.Gov including the eight contract actions identified by the Office of Inspector General.	5/3/10	1/31/12
ROM 10-16	6/29/10	Exclude the CRM contract awarded to Copper River from SBA calculations used to determine the number of 8(a) program contracts and small business contracts for fiscal year 2009.	3/28/11	9/30/11
10-14	9/13/10	Revise the LMAS QA plan to incorporate all the components required by the enterprise-wide QA plan.	10/21/10	6/13/10
ROM 10-19	9/24/10	Require the lenders to bring the 25 purchased loans with material deficiencies into compliance and recover the \$375,259 in guaranties paid.	4/1/11	1/31/13
11-03	11/12/10	Enforce an organization-wide configuration management process, to include policies and procedures for maintaining documentation that supports testing and approvals of software changes.	2/7/11	4/30/11
11-06	1/28/11	Update the list of Major Systems to include all the interfaces between each system and all other systems and networks, including those not operated by, or under the control of the agency and obtain written Interconnection Security Agreements for every SBA system that has an interconnection to another system.	3/28/11	9/30/11
11-06	1/28/11	Establish a program at SBA to manage, control and monitor system interconnections throughout their lifecycle. The program should encompass planning, establishing, maintaining, and terminating system interconnections, including enforcement of security requirements.	3/28/11	9/30/11

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
11-06	1/28/11	Develop configuration management policies and procedures that address purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance.	3/28/11	9/30/11
11-06	1/28/11	Develop and maintain a centralized inventory of all agency hardware and software.	3/28/11	9/30/11
11-06	1/28/11	Develop and test system disaster recovery plans for all of SBA's major systems at least annually and initiate any necessary corrective actions based on test results.	3/28/11	7/30/11
11-08	2/25/11	Exclude contracts SBAHQ-09-D-0009, SBAHQ-10-D-0001, and Blanket Purchase Agreement (BPA) SBAHQ-10-A-0001 and all associated delivery orders and BPA calls from SBA calculations used to determine the number of 8(a) program contracts and small business contracts for fiscal years 2009 and 2010.	3/30/11	1/31/12
11-08	2/25/11	Conduct a comprehensive review of data submitted to the Federal Procurement Data System – Next Generation (FPDS-NG) for SBA contracts awarded to iTechnologies, reconcile all discrepancies identified, and correct any inaccurately reported data.	3/30/11	1/31/12
ROM 11-04	3/22/11	Research the \$21,627,140 in this report to determine whether the award has been made or the funds should be deobligated. This research should result in these actions being posted to FPDS.gov.	10/6/11	6/30/12
ROM 11-04	3/22/11	Deploy an independent statistical verification and validation of all SBA transactions awarded and subsequently reported to FPDS.gov.	10/6/11	6/30/12
ROM 11-04	3/22/11	Research the \$695,157 in this report to determine the disposition of these awards and whether Recovery Act funds were actually used to fund the awards. If not, these awards need to be corrected in PRISM, FPDS.gov, and the contract files.	10/6/11	1/31/12
ROM 11-04	3/22/11	Develop and implement a data quality plan that documents processes to ensure timely, accurate, and complete submission of contracts data to USASpending.gov.	10/6/11	6/30/12

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
ROM 11-04	3/22/11	Implement continuous monitoring procedures to ensure that contractor-reported information is correct and accurate, and that all prime contractors are accurately reporting the use of subcontractors.	10/6/11	12/31/11
11-10	3/29/11	Develop record designation and retention requirements for all loan servicing documents and coordinate with the Office of Management & Administration to incorporate this guidance into SOP 50 52. The requirements should specify which documents should be designated as records, and therefore retained, and for how long.	6/20/11	12/31/13
11-10	3/29/11	Revise SOP 50 52 to include a requirement to preserve the analyses performed to conduct all servicing actions. A summary of the analysis should be present on the Form 327 and the detail of the analysis should accompany the SBA Form 327 action. The analysis should include sufficient detail to permit an outside party, not connected with the transaction, to verify the accuracy of the decision.	6/20/11	12/31/13
11-11	3/31/11	Take the appropriate steps to amend SBA's selection criteria to include errors identified in GC's anomaly reports, data on 8(a) contracting activity, and inquiries to SBA's 8(a) Business Development staff on suspected problems on 8 (a) contract execution.	7/7/11	12/31/11
11-11	3/31/11	Take the appropriate steps to amend SBA's selection criteria to eliminate those criteria that do not indicate risk with the contracting activity, i.e. availability to staff within commuting distance.	7/12/11	12/31/11
11-11	3/31/11	Take the appropriate steps to develop and implement a strategy that ensures contracting activities that meet SBA's selection criteria are identified, prioritized on a nation-wide basis, and targeted for a surveillance review.	7/7/11	12/31/11
11-11	3/31/11	Take the appropriate steps to determine (a) the level of effort needed to establish an effective monitoring process for small business procurement activities and (b) the amount of resources needed to implement such a process.	7/7/11	12/31/11

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
11-11	3/31/11	Take the appropriate steps to request resources from the Agency or through the annual budget process as appropriate (Based on the results from Recommendation #3).	7/7/11	12/31/11
11-11	3/31/11	Revise Chapter 4, How Do I Perform a Surveillance Review? and corresponding appendices, and update SOP 60 02 7, Prime Contracts Program, to modify definitions of rating categories to minimize subjectivity within each rating category, including examples of major and minor deficiencies.	7/7/11	12/31/11
11-11	3/31/11	Revise Chapter 4, How Do I Perform a Surveillance Review? and corresponding appendices, and update SOP 60 02 7, Prime Contracts Program, to include (1) 8(a) Business Development Program specific requirements as identified in the Partnership Agreements and Procedural Notice 8000-632; and (2) 8(a) Business Development Program in Appendix 7, Analysis of Contract Files and Appendix 8, Interview Questions.	7/7/11	12/31/11
11-11	3/31/11	Revise Chapter 4, <i>How Do I Perform a Surveillance Review?</i> and corresponding appendices, and update SOP 60 02 7, <i>Prime Contracts Program</i> , to establish a formal follow-up process that ensures PCRs receive copies of final reports and follow-up on deficiencies and recommendations.	7/7/11	12/31/11
11-11	3/31/11	Issue written instructions to remind surveillance review teams to address all interview and contract review checklist questions.	7/7/11	12/31/11
11-11	3/31/11	Issue written instructions to remind surveillance review teams to evaluate whether contracting activities are monitoring the performance of work requirements on the contracts that they administer.	7/7/11	12/31/11
11-11	3/31/11	Develop and implement a plan to ensure that surveillance review reports are issued to the contracting activity that was reviewed within a specific timeframe.	7/7/11	12/31/11

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
11-14	6/2/11	Establish procedures to discontinue SBA's practice of inappropriately obligating funds on contracts in anticipation of future needs.	8/1/11	12/31/11
12-02	11/14/11	Enhance security vulnerability management processes. Specifically, SBA should: (a) redistribute procedures and train employees on the process for reviewing and mitigating security vulnerabilities, (b) periodically monitor the existence of unnecessary services and protocols running on their servers and network devices, (c) perform vulnerability assessments with administrative credentials and penetration tests on all SBA offices from a centrally managed location with a standardized reporting mechanism that allows for trending, on a regularly scheduled basis in accordance with NIST guidance, (d) develop a more thorough approach to track and mitigate configuration management vulnerabilities identified during monthly scans, and (e) monitor security vulnerability reports for necessary or required configuration changes to their environment.	12/22/11	3/31/12
12-02	11/14/11	Prevent users from anonymously connecting unauthorized devices by developing and implementing procedures to ensure mandatory domain authentication for Internet Protocol (IP) address issuance.	12/22/11	9/28/12
12-02	11/14/11	Ensure that information systems hosted by third parties comply with SBA policy and NIST guidance.	12/22/11	9/29/12
12-02	11/14/11	Oversee the review and validation of financial system accounts on a quarterly basis.	12/22/11	4/30/12
12-02	11/14/11	Implement a process to monitor the audit logs of all financial applications on a regular basis.	12/22/11	3/30/12

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
12-04	12/16/11	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 fiscal year 2011.	Overdue	Target date not established.
12-08	2/23/12	Collect the \$2.5 million in secondary market late penalty fees by either billing lenders or offsetting against any guarantee purchase amounts.	5/3/12	5/1/13
12-10	3/15/12	Require loan officers to thoroughly evaluate creditworthiness (including repayment ability) on early default loans during both guaranty purchase and improper payment reviews	5/15/12	4/16/13
12-10	3/15/12	Upon completing the revised improper payment rate projection for 7(a) purchases, conduct a detailed and objective cost/benefit analysis for payment recapture audits of 7(a) purchases.	9/26/12	10/4/13
12-11R	3/23/12	Establish a specialized unit of well-trained, highly experienced loan specialists to perform purchase reviews with the level of scrutiny necessary to identify all material deficiencies on early-defaulted loans approved for \$500,000 or more.	10/19/12	12/31/13
12-14	7/2/12	Take the following actions for disaster loans in liquidation status delinquent over 180 days that are secured by collateral, but not specifically exempt from referral to Treasury: <ul style="list-style-type: none"> • Evaluate whether prompt foreclosure is feasible. • Initiate foreclosure proceedings promptly on loan collateral for which the NDLRC has determined that foreclosure is feasible. • Charge off loans for which the NDLRC has determined that foreclosure on the collateral is not feasible and ensure transfer of the debts to Treasury FMS for cross servicing. 	Overdue	Target date not established.

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
12-14	7/2/12	Immediately charge off all disaster loans in liquidation status delinquent over 180 days and not secured by collateral, or specifically exempt from referral to Treasury.	Overdue	Target date not established.
12-15	7/16/12	Develop an overall strategy to timely implement audit recommendations issued by the the OIG relating to FISMA security requirements.	8/16/12	10/30/12
12-18	8/16/12	Direct the NGPC to revise its purchase process for high-dollar early-defaulted loans approved by lenders to verify compliance with SBA's repayment ability requirements, including the performance of a detailed analysis of the lenders' computation of repayment ability.	Overdue	Target date not established.
13-03	10/23/12	Develop specific, measurements (outputs and outcomes) to evaluate benefits of the joint venture agreements to the protégé.	1/24/13	9/30/13
13-03	10/23/12	Assess the workload of the Specialists to ensure they are able to carry out all of their responsibilities related to the 8(a) program including better management and monitoring of joint venture arrangements. As part of this assessment, consider alternate approaches to service and monitor 8(a) firms with mentor protégé and joint venture agreements.	Overdue	Target date not established.
13-04	11/14/12	Ensure that database administrator and system administrator access is restricted through role-based segregation of duties and managed through an effective audit log review process.	3/8/13	3/1/14
13-04	11/14/12	Enforce an organization-wide configuration management process, to include policies and procedures for maintaining documentation that supports testing and approvals of software changes.	3/8/13	9/30/14
13-07	11/15/12	Create a more comprehensive improper payment detection checklist for reviewing 7(a) guaranty purchases to address the many requirements that reviewers must be familiar with when conducting improper payment reviews.	3/12/13	9/1/13

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
13-07	11/15/12	Seek recovery of \$1,016,116, less subsequent liquidation recoveries from American Business Lending, Inc. for loan number 3646765010 to Gregory L. Ratcliff (Pioneer Discount Furniture, Inc.).	Overdue	Target date not established.
13-07	11/15/12	Seek recovery of \$714,444, less subsequent liquidation recoveries from Community South Bank for loan number 3076325004 to Water-Well Investments (Splash and Dash).	Overdue	Target date not established.
13-08	12/3/12	Recover \$12,073 from iTechnologies for payments the contractor received in duplicate.	2/5/13	9/30/13
13-08	12/3/12	Initiate debarment proceedings for TLE and its officials to prohibit future contracting with any agency of the Executive Branch of the United States government.	1/18/13	4/1/13
13-08	12/3/12	Conduct an internal control review of SBA's acquisition function in compliance with OMB Circular A-123 and OMB Memorandum, Conducting Acquisition Assessments under OMB Circular A-123.	Overdue	Target date not established.
13-11	3/12/13	Adopt a new IIP under LMAS to facilitate the transfer of data and move its new COBOL code to a full production environment	9/12/13	4/11/14
13-11	3/12/13	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 identify the most critical business needs of the SBA, analyze remaining issues when each LMAS-IIP is completed, and develop plans to prioritize additional projects to address SBA's most important business needs.	6/28/13	1/5/14
13-11	3/12/13	Implement an Independent Verification and Validation program for the LMAS-IIP that tests and validates that each IIP meets its program and functional requirements.	9/12/13	9/20/15
13-12	3/26/13	Implement procedures to ensure that Contracting Officers and Contracting Officer Representatives properly review invoices for compliance with the terms of the contract and the scope of work.	Overdue	Target date not established.

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
13-12	3/26/13	For purchase order SBAHQ-11-M-0018, review all invoices and make a determination of whether all the work that was billed to the SBA was actually performed. If not, the CO should take appropriate action.	Overdue	Target date not established.
13-14	3/28/13	Determine whether it is appropriate and feasible to take administrative and/or legal actions against SBA employee(s) making unauthorized commitments in instances where an unauthorized commitment cannot be ratified.	Overdue	Target date not established.
13-14	3/28/13	In the short-term, issue a Procedural Notice identifying what an unauthorized commitment is and that under no circumstances should an unauthorized commitment occur. This Procedural Notice should also state that administrative and/or legal action may be taken against those employees who commit the Government without the authority to do so.	Overdue	Target date not established.
13-14	3/28/13	Update and implement the Agency Standard Operating Procedures for acquisitions to include the information provided in the Procedural Notice on unauthorized commitments.	Overdue	Target date not established.

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
12-11R	3/23/12	Establish a specialized unit of well-trained, highly experienced loan specialists to perform purchase reviews with the level of scrutiny necessary to identify all material deficiencies on early-defaulted loans approved for \$500,000 or more.	10/19/12	2/28/13
12-14	7/2/12	Take the following actions for disaster loans in liquidation status delinquent over 180 days that are secured by collateral, but not specifically exempt from referral to Treasury: <ul style="list-style-type: none"> • Evaluate whether prompt foreclosure is feasible. • Initiate foreclosure proceedings promptly on loan collateral for which the NDLCRC has determined that foreclosure is feasible. • Charge off loans for which the NDLCRC has determined that foreclosure on the collateral is not feasible and ensure transfer of the debts to Treasury FMS for cross servicing. 	Overdue	Target date not established.
12-14	7/2/12	Immediately charge off all disaster loans in liquidation status delinquent over 180 days and not secured by collateral, or specifically exempt from referral to Treasury.	Overdue	Target date not established.
12-15	7/16/12	Develop an overall strategy to timely implement audit recommendations issued by the OIG relating to FISMA security requirements.	8/16/12	10/30/12
12-18	8/16/12	Direct the NGPC to revise its purchase process for high-dollar early-defaulted loans approved by lenders to verify compliance with SBA's repayment ability requirements, including the performance of a detailed analysis of the lenders' computation of repayment ability.	Overdue	Target date not established.

Appendix VIII: Significant Recommendations

April 1-September 30, 2013

Report Number	Title	Date Issued	Recommendation
13-16R	Improper Payments on 7(a) Recovery Act Loans	6/14/2013	Seek recovery of \$1,425,247 from Compass Bank on the guaranty paid by SBA for the loan to Christopher W. Risenhoover.
13-16R	Improper Payments on 7(a) Recovery Act Loans	6/14/2013	Seek recovery of \$669,963 from The Washington Trust Company on the guaranty paid by the SBA for the loan to Bernie's Fuel Oil Company
13-16R	Improper Payments on 7(a) Recovery Act Loans	6/14/2013	Seek recovery of \$967,869 from High Trust Bank on the guaranty paid by SBA for the loan to Metallflex Manufacturing
13-16R	Improper Payments on 7(a) Recovery Act Loans	6/14/2013	Seek recovery of \$555,368 from Monadnock Community Bank on the guaranty paid by SBA for the loan to PCL Group, LLC.
13-16R	Improper Payments on 7(a) Recovery Act Loans	6/14/2013	Seek recovery of \$310,637 from Plaza Bank on the guaranty paid by SBA for the loan to Tiger Manufacturing.
13-16R	Improper Payments on 7(a) Recovery Act Loans	6/14/2013	Seek recovery of \$680,900 from American Bank of Commerce on the guaranty paid by SBA for the loan to RedCastle Manufacturing LLC.
13-17	The SBA's Portfolio Risk-Management Program Can be Strengthened	7/2/2013	Implement a portfolio risk-management program that analyzes risk across portfolio segments.
13-21	SBA's Enterprise-wide Controls Over Cosponsored Activities	9/26/2013	Establish controls, such as a reporting system, to ensure that all activities are timely and properly closed out, and that all required documents and reports, as specified in SOP 90 75 3, are obtained.
13-21	SBA's Enterprise-wide Controls Over Cosponsored Activities	9/26/2013	Perform periodic quality service reviews to include cosponsorship files and funds disposition, verifying any expenses paid out of cosponsored income are appropriate.
13-18	The SBA Did Not Effectively Manage Defaulted Disaster Loans to Maximize Recovery from 2006 to 2011	9/27/2013	Mandate that the NDLRC comply with the DCIA and, develop, and implement management controls and processes related to debts, to ensure <ul style="list-style-type: none"> ◆ That all eligible charged off loans now designated with loan status comment code "66" are transferred to Treasury for cross servicing promptly.

Report Number	Title	Date Issued	Recommendation
13-18	The SBA Did Not Effectively Manage Defaulted Disaster Loans to Maximize Recovery from 2006 to 2011	9/27/2013	<p>Mandate that the NDLRC comply with the DCIA and, develop, and implement management controls and processes related to debts, to ensure</p> <ul style="list-style-type: none"> ◆ That the NDLRC does not designate loans charged off in the future to block their transfer to Treasury for cross servicing because the loans have un-liquidated real estate collateral.
13-18	The SBA Did Not Effectively Manage Defaulted Disaster Loans to Maximize Recovery from 2006 to 2011	9/27/2013	<p>Mandate that the NDLRC comply with the DCIA by developing and implementing management controls and processes related to debts, to ensure</p> <ul style="list-style-type: none"> ◆ The Transfer of all legally enforceable debts already charged off, to Treasury for cross servicing. (Note: \$6.36 m via cross servicing plus \$5.98 m via offset.)
13-18	The SBA Did Not Effectively Manage Defaulted Disaster Loans to Maximize Recovery from 2006 to 2011	9/27/2013	<p>Mandate that the NDLRC comply with the DCIA by developing and implementing management controls and processes related to debts, to ensure</p> <ul style="list-style-type: none"> ◆ That all debtors associated with charged off legally enforceable debts, required to be transferred to Treasury for cross servicing and offset, are successfully transferred. (Over the next two years: \$2.54 m from transferring non-66 coded loans to cross servicing plus \$2.39 m from transferring debts to offset.)

Appendix IX: Cosponsored & Other Activities

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
SBA/HCCI Small Business Development Micro Enterprise Seminar Series I and II	New York DO - Harlem Congregations for Community Improvement	New York, NY	10/12/2012
SBA/NYC LGBTQS: Partners in Small Business Development and Success Workshop Series	New York DO - New York City Lesbian, Gay, Bisexual, Transgender, Queer, Straight Chamber of Commerce, Inc.	Bronx, NY	10/12/2012
SBA/Microsoft Tweetup	HQ/OCPL - Microsoft	Portland, OR	10/31/2012
Torrington Business Roundtable	Wyoming DO - Goshen County Economic Development Corporation, Wyoming Women's Business Center	Torrington, WY	11/6/2012
Export Trade Assistance Program	Santa Ana DO - University Enterprises Corporation - California State University San Bernardino - Inland Empire Small Business Development Center, Coachella Valley Small Business Development Center, U.S Commercial Service, Riverside County Economic Development Agency - Office of Foreign Trade	Riverside, CA, Palm Springs, CA	11/6/2012
Business Roundtables	Wyoming DO - Atlantic City Federal Credit Union, Wind River Development Fund	Washakie, WY	11/6/2012
The Washington Foundation - Lil' Jacob Learning Center - Veterans Summit I	Arkansas DO-Washington Foundation	Eudora, AR	11/6/2012
Awards Ceremony and Educational Program for NH SBA Participating Lenders	New Hampshire DO - New Hampshire Bankers Association, New Hampshire Small Business Development Center - University of New Hampshire, SCORE Merrimack Valley Chapter #199, Center for Women's Business Advancement - Southern New Hampshire University	Concord, NH	11/23/2012
Selling to the Government Training Series 2013-2014	West Virginia DO - Regional Contracting Assistance Center, West Virginia SCORE Chapter #256	World Wide Web, Beckley, WV Charleston, WV Fairmont, WV Morgantown, WV	11/29/2012
Train Your People, Grow Your Business	Connecticut DO-West Hartford Chamber of Commerce	West Hartford, CT	1/8/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Vermont Entrepreneurship Week	Vermont DO - Johnson State College Department of Business and Economics, Vermont Agency of Commerce and Community Development, Vermont Commission on Women, Vermont Small Business Development Center, Vermont Women's Business Center	Montpelier, VT	1/8/2013
Women in Business for Women Who Mean Business	Connecticut DO-West Hartford Chamber of Commerce	West Hartford, CT	1/8/2013
SBA/Brooklyn Business Library "Small Business Boot Camp"	New York DO-Brooklyn Public Library	Brooklyn, NY	1/8/2013
Contracting Workshop Series	Vermont DO - Vermont Technical College - Vermont Tech Enterprise Center - Vermont Small Business Development Center, Vermont Procurement Technical Assistant Center	Montpelier, VT	1/9/2013
Safety & Health Courses	El Paso DO-El Paso Community College Contract Opportunities Center	El Paso, TX	1/9/2013
Doing Business with the Government Workshops	Hawaii DO - State of Hawaii Department of Transportation, Honolulu Minority Business Center	Honolulu, HI & Hilo, HI	1/10/2013
"Doing Business With...." Federal Procuring Agencies	Michigan DO - Procurement Technical Assistance Centers of Michigan, SCORE Detroit Chapter 18, Michigan Small Business and Technology Development Center, Center for Empowerment and Economic Development, VetBizCentral	Livonia, MI	1/11/2013
Small Business Seminar Series	Santa Ana DO - City of Mission Viejo, California State University Fullerton - Orange County Small Business Development Center	Mission Viejo, CA	1/17/2013
Small Business Seminar Series	Santa Ana DO - City of Cypress - Redevelopment Projects Office	Cypress, CA	1/17/2013
Small Business Workshop Series	Wyoming DO - Laramie County Library System	Cheyenne, WY	1/17/2013
Straight Talk 2013 & Straight Talk Series	Buffalo DO - SCORE Buffalo Niagara Chapter #45	Buffalo, NY	1/23/2013
Smart Business Talk	Georgia DO - Urban League of Greater Atlanta, Inc.	Atlanta, GA	1/23/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
OPERATION: Start Up and Grow	Syracuse DO - New York Business Development Corporation, M&T Bank, Onondaga Community College, Onondaga Small Business Development Center, Institute for Veterans and Military Families, WISE Women's Business Center, The Tech Garden, Syracuse SCORE Chapter 98, Martin J. Whitman School of Management-Department of Entrepreneurship & Emerging Enterprises-Falcone Center for Entrepreneurship at Syracuse University	Syracuse, NY	1/23/2013
Success Series 2013	New York DO - Zhejiang Chamber of Commerce of America	Flushing, NY	1/23/2013
Oklahoma How-to-Guide for Small Businesses	Oklahoma DO - The Journal Record Publishing Company	Oklahoma Statewide	1/30/2013
International Trade Show 2013	New York DO - Zhejiang Chamber of Commerce of America, e888 International	Flushing, NY	1/30/2013
Raising Your Credit Score Workshops	West Virginia DO - Charleston West Virginia SCORE Chapter #256, Consumer Credit Counseling Service of the Midwest, Inc. dba Apprisen, Central Appalachian Empowerment Zone	Spencer, Mt. Hope, Craigsville, WV	1/30/2013
Los Angeles DO Lender Training & Awards	Los Angeles DO - The Business Resource Group, Inc.	Glendale, CA	1/30/2013
SBA/NACC "Youth & Adult Small Business Boot Camp Series"	New York DO - New American Chamber of Commerce	Brooklyn, NY	1/30/2013
Small Business Excellence Award Recognition	Syracuse DO - New York Business Development Corporation	Syracuse, NY; Albany, NY	2/11/2013
Government Contracting Workshop Series	Rhode Island DO - Johnson & Wales University - Rhode Island Small Business Development Center, Center for Women & Enterprise, Rhode Island Economic Development Corporation - Rhode Island Procurement Technical Assistance Center	Providence, RI	2/11/2013
"Small Business Growth Strategies" Conference	Richmond DO - City of Chesapeake Department of Economic Development	Chesapeake, VA	2/11/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
U.S. Small Business Administration 2013 Awards Breakfast	Wisconsin DO-SCORE Southeast Wisconsin Chapter 28, Reinhart Boerner Van Deuren s.c., The Business Journal of Greater Milwaukee, Associated Bank	Milwaukee, WI	2/11/2013
Small Business Workshop Series	Rhode Island DO - Johnson & Wales University - Rhode Island Small Business Development Center, Center for Women & Enterprise, SCORE Joseph G.E. Knight Chapter 13	Providence, RI	2/11/2013
SBA/Visa Export Video Contest on Challenge.gov	HQ/OIT - Visa U.S.A, Inc.	World wide web	2/21/2013
Spring Business Fair	Vermont DO - Champlain Valley Office of Economic Opportunity Micro Business Development Program, City of Burlington-Community and Economic Development Office	Burlington, VT	2/25/2013
Webinar Leadership Series	HQ/OCPL - W2O Group	World Wide Web	2/28/2013
2013 SBA Mississippi Statewide 8(a) Application Conference and HUBZone Conference	Mississippi DO - South Mississippi Contract Procurement Center	Gulfport, MS	3/4/2013
Business Seminar Planning for Success Techniques	North Dakota DO - Alerus Financial	Fargo, ND, Grand Forks, ND	3/4/2013
2013 SBA Small Business Awards Luncheon	Nevada DO - Southern Nevada Public Television dba Vegas PBS	Las Vegas, NV	3/7/2013
Salute to Small Business	South Carolina DO - South Carolina Chamber of Commerce, University of South Carolina - Small Business Development Center of South Carolina, South Carolina Department of Commerce, ECI/Find New Markets, SCORE Midlands SC Chapter, South Carolina Manufacturing Extension Partnership, U.S. Department of Agriculture - Rural Development Administration	Columbus, SC	3/7/2013
2013 Albany Matchmaker	Syracuse DO - New York Business Development Corporation, University at Albany - Small Business Development Center, Albany-Colonie Chamber of Commerce, New York State Contract Reporter	Albany, NY	3/7/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Opportunity Forum Event Series	HQ/GCBD- Women Impacting Public Policy, American Express	Washington, DC, Seattle, WA, New York, Atlanta, Phoenix, San Francisco, Denver	3/8/2013
2013 SBA Maryland Small Business Awards Luncheon and Trade Show	Baltimore DO - Maryland Small Business Week Awards Program, Inc.	Woodlawn, MD	3/11/2013
1st Annual SBA Great Lakes Lenders' Conference	Michigan DO - SCORE Detroit Chapter 18, banc-serv Partners, Coastal Securities, Inc., Michigan Certified Development Corporation, Fifth Third Bank	Detroit, MI	3/14/2013
Emerging Leaders Initiative	St. Louis DO - SCORE St. Louis Chapter 21, Small Business & Technology Development Center, Veteran's Business Resource Center, Grace Hill Women's Business Center, Procurement Technical Assistance Center, Midwest Regional Bank, Commerce Bank, St. Louis Development Corporation	St. Louis, MO	3/14/2013
Innovation Strategies Webinars and Workshops for Manufacturers	Wichita DO - Mid-America Manufacturing and Technology Center, Inc., Fort Hays State University - Kansas Small Business Development Center	World Wide Web, Kansas	3/14/2013
Latino Entrepreneurs 2013 Conference – Thinking Out of the Box and Prospering With Your Business	Santa Ana DO - Chamber of Commerce for Hispanic Entrepreneurs	Anaheim, CA	3/14/2013
Small Business Week 2013	St. Louis DO - Small Business Week of Eastern Missouri, Inc.	St. Louis, MO	3/19/2013
Workshop: "Ten Reasons A Business Fails and How to Turn It Around"	Baltimore DO - Business and Professional Woman	Timonium, MD	3/21/2013
9 th Annual Government Contracting Matchmaking Event	Puerto Rico DO-Colegio de Ingenieros y Agrimensores de Puerto Rico	Hato Rey, PR	3/22/2013
Small Business Week Breakfast and Awards Ceremony	Puerto Rico DO-Puerto Rico Bankers Association	San Juan, PR	3/22/2013
Houston District Small Business Week Awards Event 2013	Houston DO - SCORE Houston Chapter 37	Houston, TX	3/29/2013
Annual Celebration of Small Business Communities in Virginia Luncheon	Richmond DO - Virginia Small Business Development Center Network, SCORE Richmond Chapter 012	Richmond, VA	3/29/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders Initiative	Dallas/Fort Worth DO - North Texas Small Business Development Center Network, Dallas Black Chamber of Commerce, Greater Dallas Asian American Chamber of Commerce, DFW Minority Supplier Development Council, Greater Dallas Hispanic Chamber of Commerce, City of Dallas-Office of Economic Development, Fort Worth Hispanic Chamber of Commerce, US Pan Asian American Chamber of Commerce-SW, North Texas Association of Government Guaranteed Lenders, SCORE Fort Worth Chapter 120, SCORE Dallas Chapter 22, Tri-County Regional Hispanic Chamber	Dallas, TX	4/2/2013
9th Annual "Connecting Businesses With Contracts" Procurement Conference	Louisiana DO - Southern University and A&M College-Center for Rural and Small Business Development, Louisiana Procurement Technical Assistance Center	Baton Rouge, LA	4/3/2013
Meet the Lenders & Counselors, South-eastern Pennsylvania	Philadelphia DO - Montgomery County SCORE Chapter 513	King of Prussia, NY	4/4/2013
SBA Day at the Ballpark 2013	Philadelphia DO - Constant Contact	Philadelphia, PA	4/4/2013
SBA/Harlem CDC Entrepreneurial Development Month	New York DO - Harlem Community Development Corporation	New York, NY	4/4/2013
Buffalo Roundtables	Wyoming DO - First Northern Bank of Wyoming	Buffalo, WY	4/4/2013
Leveraging the 8(a) Certification Workshop	Los Angeles DO - FCCi, Metropolitan Water District of Southern California	Los Angeles, CA	4/4/2013
Community Advantage Network Town Hall	HQ/OCA - New York Business Development Corporation	New York, NY	4/5/2013
2013 Small Business Matchmaker, Awards Luncheon, Exposition	Buffalo DO - SCORE Buffalo Niagara Chapter #45, Business First, Inc.	Buffalo, NY	4/8/2013
Opening Doors to Government Contracting for Women & Minority Small Businesses	Syracuse DO - State University of New York-Onondaga Small Business Development Center, State University of New York-Mohawk Valley Small Business Development Center, WISE Women's Business Center, The Tech Garden, SCORE Syracuse Chapter 98, North Country Procurement Technical Assistance Center	Syracuse, NY	4/8/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
2013 Kansas Procurement Conference	Wichita DO - Wichita State University - Center for Innovation and Enterprise Engagement, Wichita State University - Kansas Small Business Development Center, City of Wichita Purchasing Office, Wichita Metro Chamber of Commerce, Mid America Minority Supplier Development Council, Sedgwick County Purchasing Office, Kansas Global Trade Services, Inc., Mid-America Manufacturing and Technology Center, Inc., SCORE Wichita Chapter 0143, Wichita Convention and Tourism Bureau, Inc., dba Go Wichita, Rose Hill Bank, Kansas Department of Commerce, Kansas Procurement Technical Assistance Center	Wichita, KS	4/8/2013
SBA Day and Lender Fair	San Diego DO - Brawley Chamber of Commerce	Brawley, CA	4/9/2013
Emerging Leaders Initiative	Fresno DO - Cen Cal Business Finance Group, Central Valley Business Incubator, Central California Hispanic Chamber of Commerce, Fresno Area Hispanic Chamber of Commerce, Fresno Metro Black Chamber of Commerce, Minority Business Development Agency Business Center, National Asian American Coalition, SCORE Central Valley Chapter	Fresno, CA	4/12/2013
Emerging Leaders Initiative	Cleveland DO - City of Youngstown Office of Economic Development, Youngstown State University - Ohio Small Business Development Center	Youngstown, OH	4/15/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders Initiative	Baltimore DO - Baltimore City Small Business Resource Center, MD Department of Business and Economic Development, MD Small Business Development Center – Central Region, Greater Baltimore SCORE Chapter # 3, Greater Baltimore Committee, Women Entrepreneurs of Baltimore, Baltimore City Chamber of Commerce, Greater Baltimore Black Chamber of Commerce, Baltimore Hispanic Chamber of Commerce, Baltimore County Chamber of Commerce/Small Business Resource Center, Morgan State University Entrepreneurial Development Center, Meridian Management Group, Inc.		4/15/2013
Workshop: Opportunities to Develop Touristic and Diverse Small Business in Puerto Rico’s Regions and Municipalities.	Puerto Rico & VI DO-Puerto Rico Tourism Company	Luquillo, Vega Baja, Corozal, Utuado, Cataño, Mayaguez, Humacao, Guayama, PR	4/18/2013
8(a) Certification Workshop	San Diego DO - American Indian Chamber of Commerce of CA - American Indian Chamber Education Fund Procurement Technical Assistance Center	San Diego, CA	4/18/2013
Connecticut Business Expo	Connecticut DO - Hartford Business Journal, Metro Hartford Alliance	Hartford, CT	4/29/2013
2013 Delaware Small Business Week Awards Event	Delaware DO - Delaware Community Development Corporation, DelVal Business Finance Corporation	Newark, DE	4/29/2013
2013 Vermont Small Business Awards Ceremony	Vermont DO - Vermont Business Magazine	Shelburne, VT	5/6/2013
SBA Small Business Week Awards Ceremony	Portland DO - Columbia State Bank, Dave’s Killer Bread - AVB Corporation, Evergreen Business Capital, KBNP Radio 1410 - The Money Station, Key-Bank, Oregon Business Magazine, Port of Portland, Portland SCORE Chapter #11, Umpqua Bank, U.S. Bank, Wells Fargo, West Coast Bank	Portland, OR	5/6/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
2013 Small Business Week Business Finance Forum	Georgia DO - Georgia Lenders Quality Circle, Inc.	Atlanta, GA	5/6/2013
Los Angeles District Office Faith-Based Business Summit	Los Angeles DO - AmPac TriState CDC, Valley Economic Development Center, PACE	Los Angeles, CA	5/9/2013
Emerging Leaders Initiative	Georgia DO - DeKalb County Office of Economic Development, Minority Business Development Agency Business Center – Atlanta, The Atlanta Development Authority dba Invest Atlanta	Atlanta, GA	5/16/2013
Emerging Leaders Initiative	Wisconsin DO - American Indian Chamber of Commerce, City of Milwaukee c/o Milwaukee Economic Development Corporation, Greater Milwaukee Committee, Manpower, Inc., Metropolitan Milwaukee Sewerage District, Potawatomi Business Development Corporation, SCORE Southeast Wisconsin Chapter, University of Wisconsin-Milwaukee - Small Business Development Center, Wisconsin Business Development Finance Corporation, Wisconsin Economic Development Corporation - Business Development, Wisconsin Women's Business Initiative Corporation	Milwaukee, WI	5/16/2013
Emerging Leaders Initiative	Arizona DO - American Indian Chamber Education Fund - Procurement Technical Assistance Center, American Indian Chamber of Commerce of AZ	Phoenix, AZ	5/16/2013
Emerging Leaders Initiative	Massachusetts DO - Hispanic American Chamber of Commerce, Inc., University of Massachusetts Amherst - MA Small Business Development Centers, City of Boston Department of Neighborhood Development, SCORE, Center for Women and Enterprise, State Office of Supplier Diversity, CT Minority Supplier Development Council (CTMSDC), First Trade Union Bank, Eastern Bank, Boston Private Bank, Sovereign Bank	Boston, MA	5/16/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Julian Chamber's SBA Day - Growing Your Business	San Diego DO - Julian Chamber of Commerce	Julian, CA	5/16/2013
Emerging Leaders Initiative	Oklahoma DO - Rural Enterprises of Oklahoma, Inc., SCORE Tulsa, Tulsa Economic Development Corporation, Northeastern State University, Northeastern State University - Small Business Development Center	Broken Arrow, OK	5/21/2013
Emerging Leaders Initiative	North Florida DO - Advantage Business Magazine, Beaver Street Enterprise Center, Jacksonville Women's Business Center, Nova Southeastern University - Jacksonville Student Education Center, SCORE Jacksonville, University of North Florida -Small Business Development Center, Wells Fargo, Bank of America	Jacksonville, FL	5/21/2013
Emerging Leaders Initiative	Oklahoma DO - Rural Enterprises of Oklahoma, Inc., Rose State College - Small Business Development Center, Rose State College, Metro Area Development Corporation, SCORE Oklahoma City Chapter 212	Midwest City, OK	5/23/2013
Emerging Leaders Initiative	Colorado DO - Denver Metro Chamber of Commerce, Colorado SBDC, Colorado Black Chamber of Commerce, City of Aurora Small Business Development Center	Aurora, CO	5/23/2013
Emerging Leaders Initiative	Michigan DO-Automation Alley, Detroit Economic Growth Corporation, Detroit Regional Chamber, Michigan Black Chamber of Commerce, Michigan Minority Supplier Development Council, SCORE Detroit Chapter 18, TechTown, Center for Empowerment and Economic Development, Michigan Small Business and Technology Development Center, Michigan Economic Development Corporation	Detroit, MI	5/23/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders Initiative	New Mexico DO - ACCION New Mexico - Arizona - Colorado, Albuquerque Hispano Chamber of Commerce, Albuquerque SCORE Chapter 67, Albuquerque SBDC at CNM, American Indian Chamber of Commerce of New Mexico, Inc., Aztec Chamber of Commerce, Bloomfield Chamber of Commerce, Albuquerque West Side Chamber of Commerce, City of Albuquerque - Economic Development Department, Farmington Chamber of Commerce, Four Corners Economic Development, Inc., Greater Albuquerque Chamber of Commerce, NAWBOs, Northern New Mexico Chapter, New Mexico 8(a) & Minority Business Association - NEDA, New Mexico Department of Veterans' Services, New Mexico Manufacturing Extension Partnership, San Juan College, San Juan College SBDC, Quality New Mexico, South Valley Economic Development Center, South Valley SBDC, Technology Ventures Corporation, The Loan Fund, Women's Economic Self-Sufficiency Team	Albuquerque; Farmington, NM	5/23/2013
Small Business Week Awards and Meet the Lender - Connecting to Capital Event	Massachusetts DO - Hispanic American Chamber of Commerce	Boston, MA	5/31/2013
Rural Small Business Development Forum, Minority Owned Small Business Workshop	Kansas City DO - Federal Deposit Insurance Corporation	Topeka, KS, Kansas City, MO	5/31/2013
Emerging Leaders Initiative	Tennessee DO - Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby Tennessee, Office of the Mayor of the City of Memphis, Office of the Mayor of Shelby County	Memphis, TN	5/31/2013
Demo Day for High Growth Accelerators	HQ/Office of Investment and Innovation - Global Accelerator Network	Washington, DC	5/31/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Expanding Your International Sales & Marketing	West Virginia DO - West Virginia District Export Council, West Virginia Development Office, International Division, U.S. Commercial Service, Charleston, West Virginia Women's Business & Training Center, West Virginia State University Community & Economic Development Center, West Virginia Small Business Development Center	Martinsburg, Beckley, Charleston, Wheeling, Morgantown, WV	5/31/2013
Emerging Leaders Initiative	Syracuse DO-CenterState Corporation for Economic Opportunity, Central New York Technology Development Organization, Inc., City of Syracuse Office of Neighborhood and Business Development, Manufacturers Association of Central New York, Onondaga Small Business Development Center, SCORE Syracuse, State University of New York College of Environmental Science and Forestry, Syracuse University, The Downtown Committee of Syracuse, Inc., The Falcone Center for Entrepreneurship, The Tech Garden, The WISE Center	Syracuse, NY	6/6/2013
Small Business Week Awards Luncheon and Training	Los Angeles DO - Los Angeles Area Chamber of Commerce	Los Angeles, CA	6/6/2013
Export Workshop Series & Hawaii Resource Brochure (2 sided color)	Hawaii DO - State of Hawaii Department of Business and Economic Development Tourism, Hawaii Foreign Trade Zone Hawaii, U.S. Department of Commerce Commercial Service, University of Hawaii-Small Business Development Center, YWCA Patsy T. Mink Center for Business & Leadership	Hawaii	6/6/2013
Immigrant Entrepreneurs Summit	Des Moines DO - Iowa Economic Development Authority, Drake University, Community CPA & Associates, Inc., Community Tax Clinic, Iowa Women's Enterprise Center, Immigrant Rights Network Of Iowa, ISED Ventures, Iowa Finance Authority	Des Moines, IA	6/12/2013
Women's Business Roundtables	Wyoming DO - First State Bank of Newcastle	Newcastle, WY	6/12/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders Initiative	Montana DO-Helena Area Chamber of Commerce, Native American Development Corporation, State Department of Transportation-Disadvantaged Business Enterprise, Montana Community Development Corporation, State Department of Commerce-Small Business Development Center	Helena, MT	6/12/2013
Small Business Management Workshop	North Dakota DO -Sitting Bull College	Yates, ND	6/12/2013
Selling to the Government and to the Global Market	New York DO - World Journal LLC	Brooklyn; Queens, NY	6/12/2013
SBA/OCHIA: The Health Care Act and Your Small Business Seminars	New York DO - New York City Human Resources Administration-Office of Citywide Health Insurance Access	New York, NY	6/12/2013
Entrepreneur Assistance Workshop Series 2013	New York DO - Carroll Gardens Associates, Inc.	Brooklyn, NY	6/26/2013
SBA/NACC "Adult Small Business Boot Camp Series"	New York DO - New American Chamber of Commerce	Brooklyn, NY	6/26/2013
Access to Capital - Show Me The Money \$\$\$	New York DO - Brooklyn Public Library, Business Outreach Center Network - Women's Business Center, Local Development Corporation of East New York - Women's Business Center, New York City College of Technology - Brooklyn Small Business Development Center, SCORE New York Chapter	Brooklyn, NY	6/26/2013
Export Financing Opportunities for Community Banks	Tennessee DO-U.S. Department of the Treasury - Office of the Comptroller of the Currency, Tennessee Small Business Development Center	Knoxville, TN; Kingsport, TN	6/27/2013
International Business Expo 2013	New York DO - Lina Mei Marketing, Inc.	Flushing, NY	7/6/2013
Small Business Training Sessions	South Florida DO - Collier County Immokalee Community Redevelopment Agency, on behalf of the Immokalee Business Development Center	Immokalee, FL	7/8/2013
Series of Webinars on the Affordable Care Act	HQ/OCPL - Small Business Majority	World Wide Web	7/16/2013
For HEROES	HQ-OVBD - The American Legion, Syracuse University and Veterans Infosource dba Women's Veterans Business Center	Houston, TX	7/17/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
What Does the Affordable Health Care Act Do and How Will It Impact Your Business Seminar	San Diego DO - San Diego Regional Chamber of Commerce, Office of US Representative Scott Peters	San Diego, CA	7/18/2013
Women Leading in Business Panel Discussion and Entrepreneurial Expo	Georgia DO - Beulah Heights University, Inc.	Atlanta, GA	7/25/2013
Small Business Loan Fair	Santa Ana DO - Asian American Business Women Association	Fountain Valley, CA	7/25/2013
Sprit of Small Business Awards Luncheon	Los Angeles DO - Pacific Coast Business Times	Santa Barbara	7/29/2013
Preparing Yourself for a Lender to Say Yes, Doing Business with the Federal and City Government: Contracting	New York DO - New York City Business Solutions, Lower Manhattan Center	New York, NY	8/6/2013
Business Seminars 2013	New York DO - UnitedHealthcare	Flushing, NY	8/6/2013
Introduction to Government Contracting	Santa Ana DO - City of Lake Forest, Lake Forest Chamber of Commerce	Lake Forest, CA	8/6/2013
WMADO Small Business Awards Breakfast Celebration	Washington DC DO - Hogan Lovells US LLP, Arlington Economic Development	Washington, DC	8/13/2013
Affordable Care Act/HealthSourceRI Informational Workshop	Rhode Island DO - HealthSourceRI, The Providence Plan, East Greenwich Chamber of Commerce	East Greenwich, RI	8/13/2013
Affordable Care Act/HealthSourceRI Informational Workshop	Rhode Island DO - HealthSourceRI, The Providence Plan, Central Rhode Island Chamber of Commerce, City of Warwick, Rhode Island	North Kingstown, RI	8/13/2013
Affordable Care Act/HealthSourceRI Informational Workshop	Rhode Island DO - HealthSourceRI, The Providence Plan, North Kingstown Chamber of Commerce, Rhode Island Society of Certified Public Accountants	East Greenwich, RI	8/13/2013
Affordable Care Act for Small Business	Syracuse DO - CenterState Corporation for Economic Opportunity	Liverpool, NY	8/13/2013
Affordable Care Act/HealthSourceRI Informational Workshop	Rhode Island DO - HealthSourceRI, The Providence Plan, Cranston Chamber of Commerce	Cranston, RI	8/13/2013
Affordable Care Act/HealthSourceRI Informational Workshop	Rhode Island DO - HealthSourceRI, The Providence Plan, East Providence Chamber of Commerce	Riverside, RI	8/13/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Vermont's 17th Annual Women's Economic Opportunity Conference	Vermont DO - Office of U.S. Senator Patrick Leahy, Vermont Technical College - Vermont Small Business Development Center, Vermont Agency of Transportation, Vermont Commission on Women, Vermont Commission on Women - Education and Research Foundation, Vermont Community Loan Fund, Vermont Procurement Technical Assistance Center, Vermont Women's Business Center, Vermont Department of Labor, Vermont Manufacturing Extension Center, SCORE, Vermont Agency of Human Services - Office of Economic Opportunity, YWCA - Vermont, Vermont Economic Development Authority	Randolph, VT	8/13/2013
Economic Development Forum for Small Businesses	Michigan DO - Michigan State University	Lansing, MI	8/28/2013
Meet the Lender - Connecting to Capital Event	Massachusetts DO - Federal Deposit Insurance Corporation, U.S. Department of Agriculture, Rural Development Southern New England, Massachusetts Small Business Development Center Network, Central Regional Office at Clark University	Worcester, MA	8/28/2013
Small Business Workshop Series	Rhode Island DO - North Kingstown Chamber of Commerce, Johnson & Wales University-Rhode Island Small Business Development Center, Center for Women & Enterprise, SCORE Joseph G.E. Knight Chapter 13	North Kingstown, RI	8/28/2013
Meet the Lenders & Resource Partners	Maine DO - SCORE Augusta Chapter 305, University Of Southern Maine-Maine Small Business Development Centers, University Of Maine-Maine Centers for Women, Work and Community, Costal Enterprise, Inc.-Maine Women's Business Center	Belfast, ME	8/28/2013
Affordable Care Act/HealthSourceRI Informational Workshop	Rhode Island DO - HealthSourceRI, The Providence Plan, Narragansett Chamber of Commerce	Narragansett, RI	8/28/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Small Business Growth Series	Philadelphia DO - Harrisburg SCORE, Metro Bank	Harrisburg, PA	8/29/2013
Health & Sports B-to-B Expo	New York DO - Zhejiang Chamber of Commerce of America	Flushing, NY	9/6/2013
New Hampshire Small Business Matchmaker	New Hampshire DO - New Hampshire Small Business Development Center, New Hampshire Procurement Technical Assistance Program, New Hampshire SCORE Chapters, Center for Women's Business Advancement	Nashua, NH	9/6/2013
The ACA and What It Means to Small Business	Dallas/Fort Worth DO - Office of US Congresswoman Eddie Bernice Johnson	Dallas, TX	9/13/2013
Wyoming Entrepreneur Procurement Technical Assistance Center	Wyoming DO - Wyoming Entrepreneur Procurement Technical Assistance Center	Casper, Laramie, Cheyenne, Jackson, Fort Washakie, WY	9/20/2013
SBA Entrepreneurial Development Workshop Series	New York DO - HOPE Financial Dignity Center	New York, NY	9/20/2013
International Trade Development	Fresno DO - Center for International Trade Development, Office of US Congressman Jim Costa	Merced, CA	9/20/2013
Windham Business Networking Event	New Hampshire DO - Merrimack Valley SCORE Chapter 199, Town of Windham Community Development Department	Windham, NH	9/20/2013
Women's Network for Entrepreneurial Training Business Roundtables	Wyoming DO - First Interstate Bank	Casper, WY	9/27/2013
Small Business Workshop Series	Wyoming DO - Laramie County Library System	Cheyenne, WY	9/27/2013
Central Falls Federal Contractor Development Program	Rhode Island DO - City of Central Falls, Rhode Island, Navigant Credit Union	Central Falls, RI	9/27/2013
Escondido Chamber's SBA DAY	San Diego DO - Escondido Chamber of Commerce, North San Diego County Small Business Development Center, MiraCosta College	Escondido, CA	9/27/2013

Appendix X: Legal Actions Summary

April 1-September 30, 2013

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
AL	BL	IRS/CI, Army/CID, DCIS	The owner of a maintenance and repair services firm provided false and unfiled tax returns to secure an SBA-guaranteed \$300,000 line of credit and to maintain his company's certification as an 8(a) firm.	Owner pled guilty.
AL	BL	None	An individual obtained an SBA-guaranteed loan for \$1,529,000 to purchase a specialty auto parts business. The individual falsely represented that the \$260,000 equity injection was a gift from her grandmother, when, in fact, it was provided by the seller.	Buyer and seller each sentenced to 5 years of probation and joint restitution of \$1,380,486.
CA	GC	FBI, IRS/CI, NCIS, DCIS, GSA/OIG	A government employee allegedly agreed to receive a \$40,000 bribe in return for assisting an SBA 8(a) contractor in obtaining a \$4 million flooring contract at a military base.	Government employee charged by criminal information.
CA	BL	None	An individual applied for an SBA-guaranteed \$1,750,000 American Recovery and Reinvestment Act loan for her company, which managed parking facilities and provided shuttle services. The loan was to be used for working capital and to consolidate business debt. The individual failed to disclose liabilities owed to friends and family and past-due tax debt, some of which were paid with the loan proceeds.	Individual pled guilty to a criminal information and was sentenced to 3 months in prison, 1 year supervised release, 200 hours community service, and restitution of \$1,179,525.
CA	BL	None	An individual received a \$50,000 SBA-guaranteed loan for his cabinet business as part of the American Recovery and Reinvestment Act. The individual reported that he had never been involved in a bankruptcy proceeding; even though, he had previously filed for bankruptcy.	Individual pled guilty to a criminal information and was sentenced to 3 months in prison, 3 months home confinement, 2 years supervised release, and restitution of \$47,748.
DC	GC	FBI, IRS/CI, Army/CID, DCIS	Government officials received bribes from participants in SBA programs (i.e. 8(a), ANC, and SDVO) in return for the award of contracts. The same government officials then certified receipt of goods and services and authorized payment of fraudulent invoices submitted by the contractors. The contractors then provided a portion of the proceeds to the government officials, paid kickbacks to other contractors, and retained portions for themselves. The bribe and kickback payments exceed \$30 million.	One individual and one company pled guilty. Another individual sentenced to 235 months in prison, 36 months supervised release, joint restitution of \$32,553,2533 and was ordered to forfeit \$11,082,687.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
FL	BL	IRS/CI	In the Microloan program, the SBA makes larger loans to intermediary companies who, in turn, provide training and make smaller loans (maximum of \$50,000) to local small businesses. The director of an intermediary company allegedly provided false documentation to the SBA when applying for loans of \$750,000. In addition, the director allegedly reported that the company had made 21 local small loans using the SBA loan proceeds, when it had only provided two: one to the director's business and the other to her boyfriend's business.	Director indicted.
FL	GC	DHS/OIG	A company obtained contracts that were set aside for SDVOSB; even though, it was determined to be ineligible based on its affiliation with two large companies.	In a civil settlement, the company agreed to pay the government \$50,000 plus a percentage of its total annual revenues from 2014-2018.
GA	GC	VA/OIG, USDA/ OIG, Army/ CID, DHS/OIG	The president of a construction company used the legitimate service-disabled veteran status of another individual to obtain government contracts set-aside for SDVOSBs. In total, his company received over \$2.7 million dollars in fraudulently-obtained contracts.	President pled guilty to a criminal information and was sentenced to 24 months in prison, 24 months supervised release, and \$181,000 in restitution. In lieu of restitution, he also paid a cash settlement of \$181,556 prior to sentencing.
IA	GC	DCIS, GSA/OIG, VA/OIG, FDIC/ OIG	Two individuals and two companies allegedly took part in a scheme to obtain approximately \$23.4 million in contracts through the SBA's SDVOSB set-aside program by claiming one of the companies to be a certified SDVOSB when it was not.	Two individuals and two companies indicted.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
ID	GC	IRS/CI, DOT/ OIG, FBI	The president of a highway construction company artificially lowered her personal net worth in order to appear to be economically disadvantaged. She acquired, held, and transferred assets into the names of nominees. This allowed her company to qualify for the SBA 8(a) program and the DOT's Disadvantaged Business Enterprises (DBE) program. Based on the company's fraudulent participation in these programs, it received more than \$2.5 million in 8(a) federal government contracts and \$15 million in DBE state government contracts. In addition, the president's former romantic partner, who was also an investor in the company, attempted to cover up the fraud.	Both found guilty after a 26-day trial.
IL	IA	FBI	A husband and wife, and their investment company, participated in a fraud scheme with the wife's father. The father, a former SBA Lender Relations Officer, sold 23 delinquent loans at substantially discounted prices to the couple and their investment company.	Couple and their investment company agreed to pay \$450,000 in a civil settlement.
KY	BL	None	The SBA appointed an individual to liquidate a portfolio of small business concerns pursuant to the Small Business Investment Company Program. The individual diverted more than \$59,000 in sale proceeds into a fraudulently opened bank account and converted those proceeds for his personal use.	Individual pled guilty and was sentenced to time previously served, 3 years supervised probation, and restitution of \$59,567.
LA	DL	FBI, HUD/OIG	The owner of a dental practice obtained a \$430,500 disaster loan to repair his office, which had been destroyed by Hurricane Katrina. He agreed to use as collateral another property where he was to operate his surgical practice and fixtures and equipment that he was to purchase with the loan funds. The investigation found the collateral property to be in disrepair, i.e. unfinished walls; no permanent electrical power; and no furnishings, fixtures, or equipment. In addition, the owner submitted fraudulent invoices to the SBA in the amount of \$56,450 and used SBA funds for living expenses and gambling.	Owner sentenced to 36 months of probation and restitution of \$54,175.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
MA	GC	VA/OIG, Army CID, DOL/ OIG, GSA/OIG	Two individuals set up a company for the sole purpose of obtaining set-aside contracts. One of the individuals had service-disabled veteran status; however, his involvement in the company did not meet SBA requirements for establishing an SDVO small business. The company fraudulently obtained over \$13.6 million in SDVO government contracts.	One individual was sentenced to 1 year and 1 day in prison, 2 years supervised release, and was ordered to forfeit \$399,000. The other individual was sentenced to 6 months home confinement, 2 years' probation, 200 hours community service, and was ordered to forfeit \$38,000.
MD	GC	DCIS, GSA/ OIG, IRS/ CI	A man and his wife set up their company to be incorporated as an SBA-certified 8(a) contractor. The man allegedly arranged for the company to be incorporated by another individual, a socially disadvantaged employee of a different firm that he owned. That individual submitted a letter to the SBA falsely stating that he was responsible for the day-to-day management and long-term decision making for the company.	Couple indicted. Other individual pled guilty to a criminal information.
MD	BL	FBI, USPIS	The owners of a loan brokerage company and others encouraged prospective borrowers to apply for SBA 7(a) business loans using the services of that company. The individuals submitted fraudulent SBA loan applications and supporting documentation (e.g. bank statements, cashier's checks, IRS documents) on behalf of their clients. These fraudulent documents falsely enhanced the creditworthiness of the borrowers and made it appear that they had more money for their equity injections than they actually did. To date, the conspiracy has resulted in losses of over \$100 million to the SBA.	One of the owners was sentenced to 188 months in prison, 48 months supervised release, restitution of \$36,635,707 and was ordered to forfeit \$91,449,700. Another individual pled guilty and was sentenced to 51 months in prison, 36 months supervised release, restitution of \$3,593,432, and was ordered to forfeit \$11,832,000.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
MO	GC	GSA/ OIG, VA/OIG	A service-disabled veteran agreed to serve as the figurehead president of a company in order to qualify it as a SDVOSB. Based on this false SDVOSB status, the company received approximately \$3.4 million in set-aside contracts from the U.S. Department of Veteran Affairs.	The company pled guilty to a criminal information. The service-disabled veteran entered into a pretrial diversion agreement with the government and has paid \$21,610 to cover the cost of investigative activities.
MO	BL	FBI	A company president obtained a \$1.6 million SBA-guaranteed loan for a fast food restaurant, which he had previously managed. At the time of the loan application, the company president had moved to another state and did not play any role in the daily affairs at that restaurant. Once the loan was disbursed, he assisted others to misapply \$91,000 of SBA loan proceeds to benefit third parties not related to the restaurant.	Company president pled guilty to a superseding information.
NE	BL	USSS, OPD	The president of a hair design academy falsely represented to the SBA and the bank that the proceeds from his \$150,000 SBA-guaranteed Community Express loan were to be used for inventory, working capital, leasehold improvements, and equipment. Instead, he used over \$100,000 of the proceeds for personal and non-company related expenses.	President sentenced to 10 months in prison, 3 years supervised release, a \$15,000 fine, and restitution of \$137,697.
NC	GC	DCIS, NCIS	The president of a masonry company and his chief financial officer used an affiliated company as a "front" in order to receive a \$9.4 million subcontract to do masonry work at a military base.	The president and chief financial officer pled guilty.
ND	BL	USSS, FDIC/ OIG, FBI, DHS/ICE, TPD	A former loan officer provided inaccurate and misleading information in order to secure a \$2 million SBA-guaranteed loan for a couple and their business. He presented false information to the financial institution, including providing collateral that he knew was not actually owned by the borrowers and concealing the true purpose of the loan.	Former loan officer sentenced to 15 months in prison, 60 months supervised release, and \$2,781,392 in restitution.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
NJ	BL	None	The owner of a podiatry practice made false statements when applying for a \$255,000 SBA Express loan. When completing the Personal Financial Statement, he checked 'NO' to questions about owing back taxes; being a guarantor, co-maker, or endorser for any other loan; and being a party to any claim or lawsuit.	Owner prosecuted under the Program Fraud Civil Remedies Act and ordered to pay \$255,794 plus \$370 in costs and post-judgment interest.
NJ	BL	IRS/CI, ENJPD, BCPO	A former loan officer assisted in securing 16 SBA loans, totaling approximately \$1.12 million, for an organized group of foreign nationals by falsifying site visits forms for their businesses. In addition, a member of the foreign national group obtained three SBA-Express loans totaling \$130,000, as well as a \$25,000 non-SBA loan, using fictitious company names.	Former loan officer sentenced to 36 months' probation and \$127,822 in restitution. Borrower sentenced to 24 months in prison, 36 months' probation, and joint restitution of \$154,623.
OH	BL	FBI	Two individual provided false and fictitious loan application documents, invoices, and other supporting paperwork to SBA and the bank to obtain a \$1,715,600 SBA 7(a) loan for a tire recycling plant.	First individual sentenced to 1 day in prison, 3 years supervised release, and 100 hours of community service. Second individual sentenced to 3 years' probation. Both ordered to pay joint restitution of \$1,715,650.
TX	DL	DHS/OIG	An individual altered repair invoices and filed them with the SBA in support of a \$97,385 disaster loan she obtained for her Louisiana residence, which had been damaged by Hurricane Katrina.	Individual sentenced to 18 months in prison, 3 years supervised release, and \$96,900 in restitution.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
TX	DL	None	An applicant forged signatures of his estranged wife and others on SBA loan documents in order to apply for two Hurricane Katrina SBA disaster loans totaling \$167,400. The applicant used the loan proceeds for personal living expenses rather than to repair the real property, which actually belonged to his estranged wife.	Applicant pled guilty.
TX	BL	FBI	An attorney conspired with others to misrepresent the sources of equity injections and down payments relating to an SBA-guaranteed loan for \$1.835 million to purchase a laundromat and two commercial loans totaling over \$1.3 million to purchase land.	Attorney pled guilty.
TX	BL	None	A buyer conspired with a seller to secure a \$990,000 SBA-guaranteed loan for the purchase of a hotel. The buyer provided fraudulent bank statements to the lender and the seller secretly funded the buyer's full cash injection by attempting to disguise the money loaned to the seller as consulting fees and sales commissions. The next year, the buyer received a second SBA-guaranteed loan for \$510,000, for which the seller again supplied the funds for the cash injection.	Buyer and seller indicted and pled guilty.
TX	DL	DHS/OIG	A retired judge made false statements regarding the location of his primary residence, the address for his homestead exemption, and the payment of the required equity injection. These statements were made in order to obtain a \$125,000 SBA loan to reconstruct property damaged by Hurricane Ike.	Retired judge sentenced to 1 year probation, and a \$2,000 fine. Prior to sentencing, he had paid back the remaining SBA disaster loan balance.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
TX	BL	None	A husband and wife obtained a \$420,000 SBA-guaranteed loan to purchase a convenience store. The couple purported to the lender that most of the equity injection was coming from the sale of a previously-owned convenience store. In reality, the couple had already depleted most of those funds. Instead they secured lines of credit under different company names and did not disclose these additional debts to the lender.	Husband and wife pled guilty. The couple paid presentencing restitution of \$150,000.
VA	GC	NASA/ OIG, DCIS, DHS/ OIG	Individuals falsely represented to the government that a particular security contractor was eligible for the 8(a) program when, in reality, the company was controlled by a second security contractor. Over \$31 million in 8(a) and small business set-aside contracts were fraudulently obtained.	Three individuals charged by criminal information and pled guilty. Seven individuals sentenced to a total of 201 months in prison, 156 months of supervised release, \$1,135,379 in fines and restitution, and forfeitures of \$7,744,248 to the federal government.
VA	BL	FBI	An individual participated in a multi-million dollar fraud scheme involving bogus treasury checks and tax returns. In addition, the individual misrepresented his citizenship status in the course of obtaining a \$149,000 SBA Section 504 loan and a \$203,000 bank loan.	Individual sentenced to 57 months in prison, 36 months supervised release, and \$1,702,123 in joint restitution.
WI	BL	FBI, FDIC/ OIG	A former bank president allegedly withdrew funds from accounts of unsuspecting commercial customers and deposited them into the accounts of another commercial customer who had reached his maximum borrowing limit. The president also allegedly made notations falsely indicating that the customers had authorized the transactions. The funds withdrawn totaled approximately \$250,000 including \$72,000 in SBA loan funds.	Former president indicted.

Legal Actions Summary Program Codes:

Business Loans (BL)
Disaster Loans (DL)
Government Contracting and Section 8(a) Business Development (GC)
Integrity Assurance (IA)
Small Business Investment Company (SBIC)

Joint-investigation Agency Acronyms:

Bergen County Prosecutor's Office (BCPO)
Defense Criminal Investigative Service (DCIS)
Department of Homeland Security-Immigration and Customs Enforcement (DHS-ICE)
Department of Homeland Security Office of Inspector General (DHS/OIG)
Department of Housing and Urban Development Office of Inspector General (HUD/OIG)
Department of Veterans Affairs Office of Inspector General (VA/OIG)
Englewood New Jersey Police Department (ENJPD)
Federal Bureau of Investigation (FBI)
Federal Deposit Insurance Corporation Office of Inspector General (FDIC/OIG)
General Services Administration Office of Inspector General (GSA/OIG)
Internal Revenue Service -Criminal Investigation (IRS/CI)
National Aeronautics and Space Administration Office of Inspector General (NASA/OIG)
Naval Criminal Investigative Service (NCIS)
Omaha Police Department (OPD)
Tampa Police Department (TPD)
United States Army Criminal Investigation Division (Army CID)
United States Department of Agriculture Office of Inspector General (USDA/OIG)
United States Department of Labor Office of Inspector General (DOL/OIG)
United States Department of Transportation Office of Inspector General (DOT/OIG)
United States Postal Inspection Service (USPIS)
United States Secret Service (USSS)

Appendix XI: External Peer Reviews

Section 5(a) of the IG Act provides the requirements for reporting the results of peer reviews in OIG Semi-annual Reports to Congress. The following information is provided in accordance with these requirements.

Auditing

Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (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 three years.

The OIG did not have a peer review conducted during this semiannual reporting period. The last peer review of the OIG was conducted by the National Aeronautics and Space Administration Office of Inspector General, which issued its final report on September 27, 2012. The OIG received a rating of “Pass” in that report (federal audit organizations can receive a rating of Pass, Pass with Deficiencies, or Fail). There are no outstanding recommendations from previous peer reviews of the OIG.

Peer Reviews Conducted

The OIG conducted a peer review of the Railroad Retirement Board Office of Inspector General in the Fall 2012 reporting period. On October 18, 2012, the OIG issued its final report. The Railroad Retirement Board OIG received a rating of “Pass” in that report (federal audit organizations can receive a rating of Pass, Pass with Deficiencies, or Fail).

Investigations

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 three years. As such, the OIG will receive its review in August 2014, which will be conducted by the US Department of the Interior, Office of Inspector General.

The OIG was not subject to a peer review during this semiannual reporting period. The Department of Veteran’s Affairs (VA) OIG conducted the last peer review of the OIG, and issued its final report December 21, 2011. The VA OIG found the system of internal safeguards and management procedures for the investigative function of the OIG *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.

Peer Reviews Conducted

The OIG conducted a peer review of the General Services Administration Office of Inspector General in May of 2013. On July 26, 2013, the OIG issued its final report. The OIG found the system of internal safeguards and management procedures for the investigative function of the OIG *Compliant* with the quality standards established by the CIGIE and the applicable Attorney General Guidelines (OIGs can be assessed as either *Compliant* or *Noncompliant*). No recommendations were offered.

Appendix XII: Organization

The OIG is comprised of the Inspector General's immediate office and four divisions: Auditing, Investigations, Counsel, and Management and Policy.

The **Auditing Division** performs and oversees audits and reviews to promote the economical, efficient, and effective administration of SBA programs and operations.

The **Investigations Division** manages a program to detect and deter illegal and improper activities involving SBA programs, operations, and personnel. The criminal investigations staff carries out a full range of traditional law enforcement functions. The security operations staff ensures that SBA employees and contractors have appropriate background investigations and security clearances to achieve a high level of integrity in the Agency's workforce, and that loan applicants and other potential program participants are of good character.

The **Counsel Division** provides legal and ethics advice to all OIG components; represents the OIG in litigation arising out of or affecting OIG operations; assists with the prosecution of criminal, civil fraud, 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.

The **Management and Policy Division** provides business support (e.g., budget and financial management, human resources, IT, and procurement) for the various OIG functions; coordinates preparation of the OIG's Semiannual Report to Congress, and other OIG-wide reports and documents; maintains the OIG website; and operates the OIG's Hotline.

The OIG headquarters is located in Washington, DC, and has field staff 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; Tacoma, WA; and Washington, DC.

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:

<http://www.sba.gov/office-of-inspector-general/2662>

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.