

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

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## Semiannual Report to Congress Spring 2011



October 1, 2010 – March 31, 2011





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

I am pleased to present the U.S. Small Business Administration (SBA) Office of Inspector General (OIG) Spring 2011 Semiannual Report to Congress, which provides a summary of the OIG's activities from October 1, 2010 to March 31, 2011.

During this reporting period, the OIG issued 15 reports containing 112 recommendations for improving SBA operations and reducing fraud and unnecessary losses in the Agency's programs. In addition, OIG investigations resulted in 25 indictments and 17 convictions. Overall, the OIG achieved monetary recoveries and savings of more than \$55 million 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 and fines, and loans/contracts not made as a result of investigations and name checks.

The Small Business Act directs the SBA to promote the award of federal contracts to small businesses and firms owned by disadvantaged individuals (such as minorities, service-disabled veterans, women, firms from areas of low economic activity, and others). The SBA also runs the Section 8(a) Business Development Program and has delegated contract execution authority to procuring agencies. For Fiscal Year (FY) 2009, SBA reported that small and disadvantaged firms were awarded nearly \$97 billion in government-wide prime contracting assistance and almost \$19 billion in Section 8(a) contracts. The OIG's audits and investigations have identified numerous instances where firms that do not meet the criteria to be either "small" or "disadvantaged" have improperly obtained contracts under these SBA contracting programs. The OIG has several long-standing Management Challenges for SBA to promote integrity in small business contract awards and oversight of the Section 8(a) program.

During this semiannual period, the OIG issued a report on the results of a review that looked at the effectiveness of SBA surveillance reviews of federal procuring agencies. Surveillance reviews help the SBA determine whether small businesses are receiving fair and equitable federal contracting opportunities and whether contracts are awarded and performed consistent with small business and 8(a) program requirements. The OIG found that surveillance reviews conducted in FY 2009 were superficial, limited in scope, poorly documented, and untimely, and thus were inadequate for making determinations about the effectiveness of the procuring agencies' small business programs or their compliance with small business rules, including the Section 8(a) delegation. The OIG made a number of recommendations for improving the effectiveness of surveillance reviews.

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 Administrator Mills and SBA's management to address the issues and challenges facing the agency.

A handwritten signature in black ink, appearing to read "Peggy E. Gustafson".

Peggy E. Gustafson  
Inspector General

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# Overview of the SBA and the OIG

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## The Small Business Administration

The mission of the Small Business Administration (SBA) under the Small Business Act, as amended, is to maintain and strengthen the Nation's economy by providing for the development and growth of small businesses. The SBA also helps in the economic recovery of local communities after disasters. The SBA's means for achieving its objectives are outlined in the following strategic goals for 2011-2016.

- 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 is organized around four key functional areas: financial assistance (e.g., loan programs); 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. SBA Programs are delivered through 10 regional offices, 68 district offices, 4 disaster field offices, and a vast network of resource partners in all 50 states, the District of Columbia, and U.S. territories.

## The Office of Inspector General

Pursuant to the Inspector General Act of 1978, as amended, the mission of the Office of Inspector General (OIG) is to deter and detect fraud, waste, abuse and inefficiencies in SBA programs and operations. The Office accomplishes this mission through audits, investigations, and other activities that assist the Agency by improving its ability to achieve its mission. The OIG carries out other significant statutory responsibilities and Government-wide mandates, including responsibilities under the Small Business Act and the Small Business Investment Act.

The OIG seeks to improve SBA programs and operations by identifying key risks and weaknesses facing the Agency, ensuring that corrective actions are taken, and promoting a high level of integrity. The Office's efforts and accomplishments during the first half of Fiscal Year (FY) 2011, which are summarized in this report, focused on the two goals in the OIG's strategic plan.

- Improving the economy, efficiency, and effectiveness of SBA programs and operations.
- Promoting and fostering integrity in SBA programs and operations.

Using this framework, the OIG concentrated on critical risks facing the SBA, including (1) risks of financial losses due to limited oversight and controls; (2) risks to the SBA's performance of its statutory mission to promote small business development and Government contracting; and (3) risks associated with the SBA's information technology and financial management systems and other internal operations. Audit and other reports issued during this reporting period are listed in Appendix I. Investigative actions are summarized in Appendix X. Copies of OIG reports and other work products are available on the OIG's website at <http://www.sba.gov/office-of-inspector-general> or by telephone at (202) 205-6586.

# Management Challenges

## Management Challenges

In accordance with the Reports Consolidation Act of 2000, each year the OIG identifies the most serious management and performance challenges facing the Agency for inclusion in the SBA’s Performance and Accountability Report. The Management Challenges represent areas that the OIG considers to be particularly vulnerable to fraud, waste, abuse, or mismanagement, or which otherwise pose significant risk to the Agency, its operations, or its credibility. Each Management Challenge generally has originated from one or more OIG or Government Accountability Office (GAO) report(s). For each Management Challenge, the OIG provides the Agency with recommended remedial actions together with an assessment of Agency progress on each recommended action during the preceding fiscal year.

On October 15, 2010, the OIG provided the Agency with its Report on the Most Serious Management and Performance Challenges Facing the SBA in FY 2011. This report provided the OIG’s current assessment of SBA programs and/or activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. In accordance with the Reports Consolidation Act of 2000, the Management Challenges Report was included in the Agency Financial Report that was issued by the SBA on November 15, 2010. We were pleased to report that one Management Challenge, *Insufficient and Outdated SBA Controls Contribute to Excessive Risk of the SBIC Program*, was completed by virtue of both remaining recommended actions receiving Green color scores. The OIG determined that the SBA had improved its process for transferring Small Business Investment Companies (SBICs) to liquidations when warranted, had developed performance goals and indicators to evaluate effectiveness of the liquidation process of SBICs, and initiated an annual goal reporting process. The following table provides a summary of the FY 2011 report on the Agency’s Most Serious Management and Performance Challenges.

### Summary of the SBA’s Fiscal Year 2011 Management Challenges

No.	Topic	Status Score Green	Status Score Yellow	Status Score Orange	Status Score Red	Improved <sup>1</sup>	Worsened <sup>2</sup>
1	Small Business Contracts		2	1			
2	IT Security		3	1			1
3	Human Capital		2	1			1
4	Loan Guaranty Purchase	1		1		1	
5	Lender Oversight		4	2		2	
6	8(a) BD Program		3	1			1
7	Loan Agent Fraud		2			2	
8	Loan Management and Accounting System			4		— <sup>3</sup>	—
9	Improper Payments	1	3	3		— <sup>4</sup>	—
	<b>TOTAL</b>	<b>2</b>	<b>18</b>	<b>14</b>		<b>5</b>	<b>3</b>
		<b>Green</b> -Implemented	<b>Yellow</b> -Substantial Progress	<b>Orange</b> -Limited Progress	<b>Red</b> -No Progress		

<sup>1</sup> “Improved” refers to an action item that showed progress this year over last year’s score.

<sup>2</sup> “Worsened” refers to a recommended action that regressed from last year’s score.

<sup>3</sup> Management Challenge 8, Loan Management and Accounting System, was new in FY 2010. Consequently, no color scores were shown in last year’s report against which to measure progress.

<sup>4</sup> Management Challenge 9, Improper Payments, was new in FY 2010. Consequently, no color scores were shown in last year’s report against which to measure progress.

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# Small Business Access to Capital

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## Small Business Access to Capital

As of March 31, 2011, the SBA had a financial assistance portfolio of guaranteed and direct loans in excess of \$94 billion. The SBA's largest lending program and its principal vehicle for providing small businesses with access to credit that cannot be obtained elsewhere is the Section 7(a) Loan Guaranty Program. This program relies on numerous outside parties (e.g., borrowers, loan agents, and lenders) to complete loan transactions. Approximately 80 percent of 7(a) loans are made by lenders with delegated authority to obligate an SBA guaranty with only limited prior review by the Agency. Additionally, SBA has centralized many loan functions and reduced the number of staff performing these functions. Over the past decade, SBA has also introduced a number of subprograms of the 7(a) Program, including the *SBAExpress* Program in which lenders obtain a lower guaranty from SBA in exchange for being able to use their own forms and loan making procedures. As SBA has placed more responsibility on, and given greater independence to, its 7(a) lenders, the need for oversight has increased significantly. The OIG continues to identify weaknesses in SBA's lender oversight efforts.

The SBA's 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, and known as Certified Development Companies (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. The assistance is provided by SBA-funded, intermediary lenders, which are non-profit community-based organizations with experience in lending and providing businesses with management and technical assistance.

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

## Review of SBA's America's Recovery Capital Loan Program

The OIG undertook a review of loans made under SBA's America's Recovery Capital (ARC) program, which the Agency established pursuant to the American Recovery and Reinvestment Act of 2009 (Recovery Act). The purpose of this program was to provide short-term loans of up to \$35,000 to allow small businesses facing financial difficulties to make up to six months of principal and interest payments on qualifying loans they had previously obtained.

The OIG's review found that documentation in the loan files was inadequate to ensure borrowers: (1) were viable small businesses; (2) used ARC loan proceeds for existing qualifying small business loans; and/or (3) experienced financial hardship. The OIG identified material origination and closing deficiencies in 56 of a sample of 120 loans reviewed, resulting in inappropriate loan approvals of approximately \$1.8 million. As of December 22, 2010, the identified deficiencies posed a \$1.6 million risk of loss to the SBA, calculated as the SBA's share of the outstanding loan balance or the deficiency amount, whichever was less. Projecting the sample results to the universe of 4,559 ARC loans approved between June 1, 2009 and January 31, 2010 with at least one disbursement as of January 31, 2010, the

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## Small Business Access to Capital

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OIG estimated that 2,228 ARC loans made during this period were not originated and closed in compliance with SBA policies and procedures, resulting in approximately \$66.5 million in inappropriate loan approvals.

In order to address the loan deficiencies, the OIG recommended that the SBA flag all 56 loans to ensure the deficiencies are properly addressed should the loans default and be submitted for purchase. We also recommended that the SBA notify the OIG of any denials, repairs, withdrawals, or cancellations of SBA guaranties made as a result of the deficiencies identified during purchase review. Further, we recommended that the SBA notify the loan servicing center responsible for purchasing defaulted ARC loans of the high number of deficiencies identified and require the center to carefully review all ARC loans for compliance with SBA requirements during its purchase review.

### **Legal Actions Continue to Result from Multi-Year Fraud Investigation**

As described in previous semiannual reports, a lender's former executive vice president and others conspired to fraudulently qualify loan applicants for SBA-guaranteed loans to be used primarily for the purchase of gas stations across several Midwestern states. The scheme involved at least 91 fraudulent loans totaling approximately \$85 million. Thus far, 39 individuals have been indicted or otherwise charged, and 31 have been convicted. Three defendants are international fugitives. To date, court-ordered restitution, civil settlements, SBA recoveries of loan guaranties from the lender and potential cost savings from the withdrawal of loan guaranties total approximately \$92 million. OIG investigations of related criminal activity are ongoing.

During this reporting period, an Illinois entrepreneur was sentenced to 15 months incarceration, three years supervised release, and \$953,736 in restitution, after pleading guilty to making false statements to the lender and the SBA. The court also ordered that he be transferred to the Department of Homeland Security (DHS), Immigration and Customs Enforcement (ICE), for deportation immediately following his term of imprisonment. These actions followed an earlier indictment charging the entrepreneur and three other businessmen with multiple counts of wire fraud in connection with schemes to defraud the SBA and a preferred lender. These schemes involved a \$1,240,000 SBA-guaranteed loan to an Illinois corporation for the purchase of an Indiana gasoline station. The entrepreneur, who was the corporate president and a 50 percent owner of the corporation, conspired with a loan agent to certify and present fraudulent documents to the lender and the SBA as part of the application for financing.

### **Criminals Use an Assortment of Methods to Defraud the Loan Guaranty Program**

Criminals use a variety of methods to fraudulently obtain—or induce others to obtain—SBA-guaranteed loans. These include submitting fraudulent documents, making fictitious asset claims, manipulating property values, using loan proceeds contrary to the terms of the loans, and failing to disclose debts or prior criminal records. The following cases demonstrate some of the methods used.

- A Georgia bar owner was sentenced to 20 months incarceration, three years probation, and \$1.8 million in restitution, after pleading guilty to making false statements to the lender and the SBA. He previously had been indicted for providing false information on his bank application for a \$1.8 million loan. Among other things, he claimed to have approximately \$23 million in gross sales when actual sales were about \$250,000. The owner also had indicated that he had no

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## Small Business Access to Capital

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previous criminal history when, in reality, he had numerous arrests and convictions for various crimes, including simple assault and possession of illegal substances.

- The owner of a Maryland restaurant equipment outlet was sentenced to six months home detention, three years probation, and \$97,000 in restitution, after pleading guilty to conspiracy. She had entered into an agreement with the vice president of a restaurant to perform construction and renovation work and provide equipment at a cost of \$145,000. The vice president, who asked her to falsely represent the project's total cost as \$295,000, filed an SBA loan application, and provided the restaurant equipment owner's inflated contract in support of the loan. Ultimately, the vice president was approved for a \$417,000 SBA-guaranteed loan, of which approximately \$310,000 was actually disbursed. After the restaurant received the initial disbursement from the loan proceeds, its vice president paid the restaurant equipment company owner for remodeling work, of which \$97,000 was then given back to the restaurant vice president. The vice president was found guilty of conspiracy, making false statements to the SBA, and aiding and abetting.
- A Texas businessman was indicted for bank fraud and making false statements to banks and the SBA. The indictment included a notice of criminal forfeiture for property derived as a result of these offenses, including approximately \$419,000 in U.S. currency. The businessman was the owner of a group that received loan applications from potential borrowers. When submitting the applications to various banks, he inflated the income information provided by the applicants. The investigation identified 26 loans or lines of credit in which the income information provided to the banks was not the same as the income information the applicants provided to the group. This is a joint investigation with the Federal Bureau of Investigation (FBI).

### False Identities Used to Obtain SBA Loans

A New Jersey loan broker pled guilty to conspiracy to commit bank fraud. The investigation revealed that an organized group of foreign nationals were obtaining credit cards and loans, including *SBAExpress* loans, from various lending institutions by using false identities, documents, and business names. As a member of the group, the loan broker obtained loans from various financial institutions for fictitious businesses. He brokered 28 loans totaling approximately \$1.5 million, with current losses on these loans being nearly \$1.1 million. The OIG is conducting this investigation jointly with the Internal Revenue Service, Criminal Investigation Division, and the Englewood (New Jersey) Police Department.

### Bank Fraud Case Yields More Legal Actions

As described in previous semiannual reports, 11 individuals were originally charged with various federal crimes in a 185-count indictment that resulted from a scheme to defraud a Missouri bank and the SBA. The charges involved at least 31 fraudulent business loans, totaling more than \$10 million, issued by the bank. The defendants included a former executive vice president and chief lending officer of the bank, a former SBA branch manager, and two Missouri business consultants. The OIG continues to conduct this investigation jointly with the FBI. The following legal actions took place during the current reporting period.

- A former vice president/loan compliance officer of the bank was indicted for conspiracy and making false statements to the SBA. A business allegedly obtained a \$1.6 million SBA loan from the bank for the stated purposes of acquiring working capital and refinancing debt. In connection

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## Small Business Access to Capital

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with the loan application, the SBA required that the bank attest to and demonstrate that none of the business's loans that were to be refinanced with the SBA loan had been more than 30 days past due in the previous three years. As part of the conspiracy, the former vice president/compliance officer assisted others in preparing false affidavits representing that (1) the business had not been more than 30 days past due when it actually had been on multiple occasions, and (2) a particular loan was an obligation of the business when it really was not. She also forged the signature of another bank official on an affidavit.

- A man pled guilty to making false statements for the purpose of influencing the SBA and to aiding and abetting. Two persons associated with a consulting business established a firm in the man's name and recruited him to obtain a \$175,070 *SBAExpress* loan from the bank. Although the loan's stated purpose was to purchase equipment for the man's purported business, the two individuals instead paid the man \$7,500 for obtaining the loan and used the remainder of the proceeds for personal expenses and to pay a third party's outstanding debt.
- A former real estate agent was sentenced to five years probation after pleading guilty to making false statements for the purpose of influencing the SBA. The investigation revealed that an individual associated with a consulting firm approached him and asked him to provide his financial information to the individual so that a \$125,085 loan could be obtained from the bank. The loan was originated, with the proceeds used to personally benefit him and to make payments on other individuals' and businesses' SBA-guaranteed loans.

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# Disaster Loan Program

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## 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. There are two 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. The Disaster Loan Program is particularly vulnerable to fraud and unnecessary losses because loan transactions are expedited in order to provide quick relief to disaster victims.

As of March 31, 2011, the SBA had approved nearly 161,000 disaster loans—totaling almost \$11 billion—to assist victims of the Gulf Coast Hurricanes Katrina, Rita, Wilma in 2005, and nearly 24,000 disaster loans—totaling over \$1.2 billion—as a result of Hurricanes Gustav and Ike and flooding in the Midwest during 2008. During this semiannual period, the OIG’s audits of this disaster assistance focused on loan servicing activities. The OIG also continues to investigate allegations of fraudulent activity, including unauthorized use of loan proceeds, overstatement of financial losses, material false statements in the application process, false/counterfeit supporting documentation, and false assertions regarding primary residency in affected areas at the times of the disasters.

## Fraud Related to Gulf Coast Hurricanes Continues to Be Uncovered

In 2005, Hurricanes Katrina, Wilma, and Rita devastated the Gulf Coast of the United States. Federal agencies responded with massive aid, including billions of dollars in SBA disaster assistance loans. Unfortunately, as with any disaster, the need to disburse loans quickly meant opportunities for dishonest applicants to commit fraud. To counter this, various law enforcement organizations created what is currently known as the National Center for Disaster Fraud (NCDF).

In conjunction with other law enforcement organizations in the NCDF, the OIG’s efforts from FY 2006 through the first half of FY 2011 have thus far produced 79 arrests, 91 indictments, and 84 convictions related to wrongdoing in the SBA’s Disaster Loan program. The OIG’s investigations in the disaster area to date have also resulted in over \$5 million in court-ordered restitution and related recoveries. Moreover, the OIG has assisted the SBA in denying almost \$4.5 million in loans to potentially fraudulent borrowers.

The following cases illustrate some of the tactics used by criminals to profit illegally from Gulf Coast hurricane relief efforts.

- A Louisiana man was sentenced to 78 months in prison, three years supervised release, \$245,197 in restitution, and a special \$600 assessment fee. He had falsified the address of his primary residence at the time of Hurricane Katrina in order to obtain an \$110,900 SBA disaster loan and a \$150,000 grant from the Louisiana Road Home Program. The sentencing incorporates additional penalties for obtaining driver’s licenses and Social Security and health care benefits under his deceased brother’s name. The OIG is conducting this investigation jointly with the FBI and the Department of Housing and Urban Development (HUD) OIG.
- A Louisiana man was sentenced to 18 months in prison; three years supervised release, and \$136,952 in restitution to the SBA after pleading guilty to theft of government funds. He

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## Disaster Loan Program

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originally had been approved for an SBA disaster home loan of \$79,500 and a disaster business loan of \$70,000. After these loans were approved, he submitted fictitious documents, including a lien release, invoices, insurance documents, and contractor proposals to induce the SBA to disburse additional loan funds. The OIG conducted this investigation jointly with the FBI.

- On behalf of the SBA, HUD, and the Federal Emergency Management Agency (FEMA), the United States entered into a civil settlement agreement with a Louisiana couple, who agreed to pay the United States \$140,000. In addition, the couple confirmed that they paid the remaining \$94,656 balance on an SBA disaster assistance loan. This investigation was initiated based on information alleging that the wife had made false claims to the SBA about the location of her primary residence at the time of Hurricane Katrina. Based on this claim, she received a \$182,900 SBA loan, \$46,605 in FEMA disaster benefits, and \$66,342 in assistance from the Louisiana Road Home Program. This was a joint investigation with the HUD and DHS OIGs.
- A Louisiana woman pled guilty to theft of government funds. She had provided false statements on her applications for disaster assistance by claiming that her primary residence had been affected by Hurricane Katrina. However, the house was considered unlivable prior to the storm. As a result of her claims, she received \$219,000 in disaster loan funds from the SBA, a \$150,000 grant from the HUD Road Home Program, and nearly \$26,700 from FEMA. This was a joint investigation with the HUD OIG, the DHS OIG, and the FBI.
- A Louisiana woman pled guilty to attempted felony theft and received a suspended sentence of six months in jail. She was also placed on unsupervised probation until her SBA loan is paid in full. The investigation determined that she misrepresented her income and employment to the SBA to obtain loan approval and subsequent increases totaling \$187,800. She also made false statements and submitted fraudulent documentation to claim highly inflated disaster losses and repair expenses. This was a joint investigation with the HUD OIG, the DHS OIG, and the FBI.
- A Louisiana woman was sentenced to 37 months in federal prison and three years supervised release, in addition to being ordered to pay \$476,906 in restitution. She had previously pled guilty to possession of a falsely obtained passport, false statements, theft of government funds, and mail fraud. The woman had applied for and received a \$342,000 SBA Economic Injury Disaster Loan on behalf of her father for rental property damages caused by Hurricane Katrina. She submitted falsified receipts and rental agreements to induce the SBA to approve her father's loan. In addition, she fraudulently recorded the SBA lien on her uptown mansion to satisfy the SBA's requirement to secure the loan with collateral. This was a joint investigation with the DHS and HUD OIGs.

### Processing and Recordkeeping at Disaster Loan Servicing Centers

The OIG conducted a review of SBA's processing of insurance recovery checks to determine whether the Agency was taking appropriate action to reduce duplicate benefits obtained by disaster loan borrowers. An examination of the SBA's Disaster Loan Servicing Centers located in Birmingham, Alabama and El Paso, Texas found that these centers did not have adequate or effective procedures and systems for processing insurance recovery checks and recovering duplicate benefits. This resulted in inaccurate Duplication of Benefits (DOB) determinations and inappropriately returned or retained insurance checks. Based on a review of a sample of checks processed by the centers during 2008 and 2009, the OIG

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## Disaster Loan Program

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projected that at least \$3,498,799 in duplicate benefits were returned to borrowers in error by the Birmingham servicing center, and at least \$667,362 in duplicate benefits were returned to borrowers in error by the El Paso servicing center. The OIG also identified an additional \$529,444 in insurance checks processed by the Birmingham servicing center that were outside of the sampled universe. The errors occurred because: (1) the SBA did not have adequate procedures to evaluate insurance checks for duplicate benefits; (2) some employees lacked the expertise and tools to calculate remaining loan eligibility needed for duplicate benefit determination; and (3) the centers did not adequately document information to support the DOB determination so that it would be available if a check for the same borrower was subsequently received. The OIG recommended that the SBA revise its procedures to incorporate detailed instructions for processing insurance recovery checks, to include effective practices to correct the deficiencies identified by the OIG, and that the servicing centers assign the insurance recovery check processing to selected individuals and fully document the justification for the decision to return or retain each check. We also recommended that the Agency recover duplicate benefits identified in this audit.

The OIG also issued a report during this semiannual reporting period to identify concerns about the Agency's practices of not retaining critical disaster loan documentation. These concerns arose from several prior OIG reviews, including the review of insurance check processing, discussed above. The OIG found that the SBA disaster servicing centers lacked a clearly defined records management and documentation process, and therefore, did not consistently make and preserve records containing adequate and proper documentation as required by law. Records that should have been preserved because they contained evidence of agency activities, or information of value to the agency, were not systematically maintained. Additionally, the electronic recordkeeping system did not contain all of the required controls. The deficiencies in the servicing center records management and documentation process create a risk that the SBA may be unable to furnish information. The OIG's recommendations included developing record designation and retention requirements for all loan servicing documents and incorporating this guidance into an SBA standard operating procedure, and revising standard operating procedures to include a requirement to preserve the documentation showing the analyses used to justify all servicing actions.

Agency management agreed with the OIG's recommendation in both of these reports and had begun or completed implementation actions.

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# Small Business Development, Contracting, Education and Training

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## Small Business Development, Contracting, Education and Training

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 Small Disadvantaged Business (SDB) Certification Program. The SBA also negotiates with other federal agencies to establish procurement goals for 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.

### False Eligibility Used to Obtain Contracting Preferences

Investigations by the OIG and other federal organizations have identified a number of instances where companies make false statements in order to obtain preferential contract awards under the SDVO, HUBZone, 8(a), Alaska Native Corporation (ANC) and other programs. This fraud involves false statements that the company meets eligibility criteria or schemes in which companies owned or controlled by non-disadvantaged persons use disadvantaged or small companies as fronts to improperly obtain contracting benefits. The following examples show the nature of the problem.

- A Maryland engineering company and a Maryland construction company, as well as their president and owner, agreed to pay the United States \$200,000 to settle False Claims Act claims that they used false statements to obtain contracts from several government agencies. The contracts had been set aside for qualified HUBZone companies. The construction company falsely represented to the SBA and other government agencies that it maintained its principal office in a designated HUBZone location. According to the government, the design build company actually operated as part of the engineering company, which was not located in a HUBZone. The construction company obtained HUBZone contracts from the U.S. Army, the Department of Labor (DOL), DHS, and the Smithsonian Institution. The OIG conducted this investigation jointly with the DOJ Civil Fraud Section, Defense Criminal Investigative Service (DCIS), and the Smithsonian Institution OIG.
- Two Maryland contracting companies and their respective presidents agreed to pay the United States \$200,000 to settle False Claims Act claims that they used false statements to obtain Department of Defense contracts set aside for qualified 8(a) and HUBZone companies. The government alleged that the first company and its president falsely represented to the SBA, the U.S. Navy, and the U.S. Army that the company was controlled by a socially and economically disadvantaged individual. According to the investigation, the first company was actually

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## Small Business Development, Contracting, Education and Training

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controlled by the president of a second company who was not socially or economically disadvantaged. The government also alleged that: (1) he used the first company's 8(a) status to continue the second company's business operations after its own 8(a) status had expired, and (2) the first company and its president falsely claimed that its principal office was in a designated HUBZone location. As a result, the first company undeservedly obtained contracts set aside by the Air Force for qualified HUBZone companies. The OIG conducted this investigation jointly with DCIS and the DOJ Civil Fraud Section.

- A property management specialist (PMS) at the National Archives and Records Administration (NARA) was sentenced to 15 months in prison followed by three years of supervised release. He was also ordered to pay restitution of \$958,280 jointly and severally with a previously sentenced co-conspirator. The defendants were involved in a scheme to embezzle \$958,280 from NARA. The PMS was responsible for property management and project oversight for part of a NARA facility in Maryland, while the co-conspirator was a manager for a company that had a government contract to provide facility management. The PMS used his government purchase card to pay three purported businesses operated by the co-conspirator for goods and services that were either never provided or provided at inflated prices. The businesses were listed on contracting documents as 8(a) certified, although the SBA had no record of 8(a) certification. Moreover, the businesses did not have any offices or employees. The conspirators caused NARA to deposit payments into the sham businesses' accounts and then shared the proceeds. This was a joint investigation with the NARA OIG.

### Effectiveness of the SBA's Surveillance Review Process

The OIG examined SBA's surveillance reviews, in which SBA teams visit federal procuring agencies to review contract files and small business procurement practices to determine whether the agencies are properly making awards to small and disadvantaged businesses. These reviews help SBA to determine whether small businesses are receiving fair and equitable opportunities to participate in federal contracts and subcontracts and whether contracts are awarded and performed consistent with SBA requirements.

In FY 2009, the agency conducted surveillance reviews of 30 contracting activities that had purchases totaling \$17.3 billion. The 30 activities represented 1 percent of the 3,285 contracting activities that year and 3 percent of the total procurement dollars for the 3,285 activities. The OIG analyzed reports from the 30 reviews along with available supporting documentation and found that the surveillance reviews did not adequately assess the small business programs of procuring agencies. Further, the OIG found that SBA did not use a systematic and analytical process for establishing review priorities to ensure reasonable coverage of contracting activities, and that the 30 surveillance reviews conducted in FY 2009 were limited in scope, inadequate, and not sufficient to establish, with certainty, whether the activities complied with small business and 8(a) program requirements.

The OIG review also determined that SBA also did not follow-up to ensure that deficiencies identified by surveillance review teams were corrected in a timely manner as only 61 of the 110 recommendations made in FY 2007 and 2008 had been addressed. According to the SBA, a lack of staff resources and competing priorities prevented it from taking corrective action.

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## **Small Business Development, Contracting, Education and Training**

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### **Legislation Requires Approval of SBDC Surveys**

In December 2004, Congress amended section 21(a)(7) of the Small Business Act to restrict the disclosure of information regarding individuals or small businesses that have received assistance from an SBDC, and further restricts the Agency's use of such information. The provision also requires the Agency 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. Within the reporting period, the Agency circulated for internal clearance proposed regulations, but did not formally issue the regulations.

In addition, paragraph 21(a)(7)(C)(iii) of the Small Business Act states that, until the issuance of such 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. SBA conducted an OIG approved survey of SBDC clients during the second half of FY 2010.

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# Agency Management

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## 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.

## SBA's Procurement of Information Technology Hardware and Software

The OIG performed a review of the SBA's procurement of information technology (IT) hardware and software from a company named Isika Technologies, Inc. (iTechnologies). This review found that the agency inadequately planned and inappropriately awarded two 8(a) sole-source Indefinite-Delivery/Indefinite-Quantity (IDIQ) contracts and a Blanket Purchase Agreement (BPA) to the company for the procurement of the IT hardware and software. As a result, the SBA: (1) did not have reasonable assurance that it received the best value in these contracts; (2) violated the Competition in Contracting Act and federal regulations; and (3) provided inaccurate data regarding nearly \$7.6 million in obligations in the Federal Procurement Data System – Next Generation (FPDS-NG).

The OIG recommended that the SBA immediately terminate the iTechnologies contracts and re-solicit the IT hardware and software requirement using full and open competition procedures. The OIG also recommended that the SBA: (1) exclude the iTechnologies IT hardware and software contract awards and all associated delivery orders and BPA calls from SBA small business calculations; (2) implement and provide annual training to contracting officers on reporting contract data to FPDS-NG; (3) conduct a comprehensive review of data submitted to FPDS-NG for SBA contracts awarded to iTechnologies; (4) reconcile all discrepancies identified, and correct any inaccurately reported data; and (5) hold contracting officers accountable for FPDS-NG data accuracy requirements by incorporating FPDS-NG data accuracy reporting requirements in each contracting officer's performance plan.

## Usefulness of the Small Business Innovation Research Tech-Net Database

The OIG conducted a limited-scope review of the usefulness of the SBA's Small Business Innovation Research (SBIR) Tech-Net database. The purpose of the review was to assess the SBA's progress in completing enhancements to and expansion of the Tech-Net database to allow federal agencies to (1) identify duplicate awards and/or other potential fraud, and (2) better evaluate the performance of the SBIR program. A 2006 review by the (GAO and reports from various other OIGs had identified data gaps and weaknesses in Tech-Net that prevented agencies participating in the SBIR program from using the database to identify duplicative awards. The OIG's review found that the SBA had made limited progress in enhancing Tech-Net since the 2006 GAO review. Participating agencies were still experiencing difficulty in searching the database for duplicative awards and other indicators of fraud because information in the Tech-Net database was incomplete and the search capabilities of the system were limited. In addition, the SBA had not developed the government-use component of Tech-Net to capture information on the commercialization of SBIR research and development projects. The OIG made several recommendations to correct the deficiencies and in response, the SBA noted that it has initiated a comprehensive upgrade of the Tech-Net database.

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# Agency Management

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## Quality of the SBA's Recovery Act Data on Public Websites

The OIG also undertook a review of SBA's reporting of Recovery Act contract award obligations, Microloans, and Microloan technical assistance grants in various governmental databases. The review found that although SBA reports in Recovery.gov were relatively accurate, the same information was materially underreported to USASpending.gov. Also, the review determined that recipients of SBA Recovery Act funds reported erroneous and/or inaccurate information and did not include sub-recipient information. Lastly, the SBA did not provide adequate oversight of the contractor it hired to perform data quality reviews. As a result, Recovery Act information was inaccurate and the SBA was not compliant with federal guidelines regarding the quality and completeness of information reported on the use of Recovery Act funds. SBA officials agreed with the OIG's findings and initiated action to address them.

## Audit of SBA's Fiscal Year 2010 Financial Statements

The OIG contracted with KPMG LLP to conduct the annual independent audit of SBA's financial statements and accompanying reports on internal control and compliance with laws and regulations for the fiscal year ending September 30, 2010. The audit found that SBA's consolidated financial statements presented fairly, in all material respects (1) the financial position of SBA as of and for the years ending September 30, 2010 and 2009, and (2) SBA's net costs, changes in net position, budgetary resources, and combined statements of budgetary resources for the years then ended. With respect to internal control, the independent auditors continued to report a significant deficiency related to Information Technology security controls. In addition, KPMG's test for compliance with certain laws, regulations, contracts, and grant agreements determined that the Agency did not fully comply with the Debt Collection Improvement Act of 1996 because it did not consistently follow Treasury guidelines for referring delinquent debts for collection. As part of its audit, KPMG issued several *Management Letters* addressing internal control and other operational matters that were noted during the audit.

## Weaknesses Identified During Federal Information Security Management Act Review

The Federal Information Security Management Act (FISMA) requires OIGs to perform annual independent evaluations of their agency's information security program and practices to determine their effectiveness. The OIG's FY 2010 review found that significant improvements were needed in critical computer security areas in order for SBA to fully meet the requirements set forth in FISMA and OMB Circular A-130, *Management of Federal Information Resources*. The OIG made a number of recommendations to address the deficiencies identified during the review.

## 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 subject to semiannual audits by the Inspector General, who shall report his findings to Congress.

During the previous reporting period, the SBA reported receiving financial support from 16 nonfederal organizations totaling \$23,050. An OIG audit of SBA's *Business Assistance Trust Fund* found that the agency followed established procedures for soliciting, accepting, holding and utilizing these gifts.

During this reporting period, the SBA reported accepting 2 cash gifts totaling \$10,000. The OIG will audit these gifts in accordance with Section 4(g)(2).

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# Agency Management

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## **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 co-sponsorships 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 October 1, 2010 and March 31, 2011, there were 36 cosponsored events.

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## Other Significant OIG Activities

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### Other Significant OIG Activities

#### Character Screening Lessens Potential Program Fraud

Participants in SBA programs that involve business loans, disaster assistance loans, Section 8(a) certifications, surety bond guarantees, SBICs, and Certified Development Companies must meet Agency character standards. To help accomplish this, the OIG's Office of Security Operations utilizes name checks and, where appropriate, fingerprint checks to determine criminal background information. The OIG processed 2,158 external name check requests for these programs during this reporting period.

Moreover, based on data from an on-line connection with the FBI, the OIG refers applicants who appear ineligible because of character issues to program officials for adjudication. As a result of OIG referrals during this reporting period, SBA business loan program managers declined 30 applications totaling over \$13.5 million, and disaster loan program officials declined 5 applications totaling over \$116,000. In addition, the Section 8(a) program declined 14 applications for admission.

During this reporting period, the OIG also initiated 293 background investigations and issued 23 security clearances for Agency employees and contractors. Likewise, the OIG adjudicated 84 background investigative reports and coordinated with SBA's Office of Disaster Assistance (ODA) to adjudicate 53 derogatory background investigation reports. Finally, the OIG processed 2,300 internal name check requests for Agency activities such as success stories, "Small Business Person of the Year" nominees, and disaster assistance new hires.

#### OIG Promotes Debarment and Administrative Enforcement Actions

The OIG continues to promote debarment and other enforcement action as a means to protect SBA from program participants that have engaged in fraud or otherwise exhibited a lack of business integrity. The OIG regularly identifies candidates for debarment and other enforcement actions and submits detailed recommendations with supporting documents to the responsible SBA officials.

During this reporting period, the OIG submitted 16 suspension and debarment recommendations to SBA. Additional debarment statistics for the reporting period are in the Statistical Highlights section later in this Report. Many of the OIG referrals involved misrepresentations and other actions indicating a lack of business integrity in SBA preferential contracting programs. In several cases, the OIG recommended that SBA suspend the subject of an ongoing OIG investigation given program risk presented by the continued participation of those individuals and entities.

#### Suspension and Debarment Examples:

- The SBA suspended a contractor, its owner, and an affiliated entity after the OIG recommended the suspensions based on evidence indicating that the parties were involved in the submission of false information to the SBA, the Government Accountability Office, Congress, and the Veterans Administration, and violations of SBA regulations regarding prime contractor percentage of work requirements. The contractor has appealed this matter and the case remains open.
- The SBA debarred a contractor and its owner after the OIG recommended the debarment based upon evidence that the contractor misused contract funds.

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## **Other Significant OIG Activities**

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Additionally, the OIG continued its work during the first half of FY 2011 to encourage the SBA to implement a more robust debarment and suspension program. In response to a proposal that the OIG provided the Agency in FY 2010, SBA has developed a plan to enhance its ability to detect and refer irresponsible program participants to the appropriate suspension and debarment officials. SBA has already implemented training and reporting elements of its suspension and debarment plan.

Finally, the OIG has been an active participant in the Council of Inspectors General on Integrity and Efficiency (CIGIE) Working Group on Suspensions and Debarments, which was formed to identify best practices within the OIG community for promoting suspension, debarment and other enforcement actions.

### **OIG Reviews of Proposed Agency Regulations and 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 inefficiency in SBA programs and operations, the OIG reviews agency-proposed changes to program management directives such as regulations and internal operating procedures, forms that SBA asks program applicants and other members of the public to complete, and proposed agency reorganizations. Frequently, the OIG identifies material weaknesses in these initiatives and recommends revisions to the Agency to promote more effective controls. During the reporting period, the OIG reviewed 79 proposed revisions of program management or agency reorganization documents and submitted comments on 46 of these initiatives.

Many of the initiatives that the OIG commented upon were issued in response to the various program changes mandated by the Small Business Jobs Act of 2010 or new programs implemented by SBA. For example, in response to OIG comments, the Agency implemented revisions to strengthen controls, and reduce the potential for waste, fraud, abuse and inefficiencies in the Community and Lender Advantage, Intermediary Lender Pilot, and the Dealer Floor Plan loan programs. Additionally, OIG recommendations in connection with several information technology security and quality assurance guidance documents also led to more robust controls in and enhancements to these program documents.

### **OIG Conducts Fraud Awareness Briefings**

During this reporting period, the OIG conducted 12 fraud awareness presentations for nearly 300 attendees, including congressional staff, SBA employees, lenders, and law enforcement representatives. Topics included the mission of SBA OIG and fraud indicators, with special emphasis on government contracting and disaster assistance programs.

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# Statistical Highlights

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## 6-Month Productivity Statistics October 1, 2010 through March 31, 2011

<b>Summary of Office-Wide Dollar Accomplishments</b>	<b>Totals</b>
A. Potential Investigative Recoveries and Fines .....	\$6,118,039
B. Loans/Contracts Not Approved or Canceled as Result of Investigations.....	\$4,500,000
C. Loans Not Made as a Result of Name Checks .....	\$13,652,912
D. Disallowed Costs Agreed to by Management .....	\$18,960
E. Recommendations that Funds Be Put to Better Use Agreed to by Management .....	\$31,200,000
<b>Total.....</b>	<b>\$55,489,911</b>

### Efficiency and Effectiveness Activities Related to Audit and Other Reports

A. Reports Issued .....	15
B. Recommendations Issued.....	112
C. Dollar Value of Costs Questioned.....	\$2,718,139
D. Dollar Value of Recommendations that Funds Be Put to Better Use .....	\$0
E. Collections as a Result of Questioned Costs .....	\$569,350

### Audit and Report Follow-up Activities

A. Recommendations for which Management Decisions were made During the Reporting Period .....	118
B. Disallowed Costs Agreed to by Management .....	\$18,960
C. Dollar Value of Recommendations that Funds Be Put to Better Use Agreed to by Management .....	\$31,200,000
D. Recommendations without a Management Decision at End of Reporting Period .....	40

### Legislation/Regulations/Standard Operating Procedures (SOPs)/Other Reviews

A. Legislation, Regulations, Standard Operating Procedures, and Other Issuances * Reviewed .....	79
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\* This category includes policy notices, procedural notices, Administrator's action memoranda, and other Agency initiatives, which frequently involve the implementation of new programs and policies.

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# Statistical Highlights

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## 6-Month Productivity Statistics October 1, 2010 through March 31, 2011

### Indictments, Convictions, and Case Activity

A. Indictments from OIG Cases .....	25*
B. Convictions from OIG Cases.....	17
C. Cases Opened .....	37
D. Cases Closed.....	39

### Recoveries and Management Avoidances as a Result of Investigations and Related Activities

A. Potential Recoveries and Fines as a Result of OIG Investigations .....	\$6,118,039
B. Loans/Contracts Not Approved or Canceled as Result of Investigations.....	\$4,500,000
C. Loans Not Approved as a Result of the Name Check Program .....	\$13,652,912
<b>Total</b> .....	<b>\$24,270,951</b>

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

A. Dismissals.....	0
B.. Resignations/Retirements .....	0
C. Suspensions .....	0
D. Reprimands.....	0
E. Other.....	0

### Debarment and Suspension Actions

A. Suspensions and/or Debarments Recommended to the Agency.....	16
B. Suspensions and/or Debarments Pending at the Agency**.....	11
C. Proposed Debarments Issued by the Agency .....	8
D. Final Debarments Issued by the Agency .....	7
E. Suspensions Issued by the Agency.....	5
F. Proposed Debarments Declined by the Agency .....	3
G. Suspension/Debarment Actions by Other Agencies Resulting from Investigations in which the OIG Participated.....	15

### OIG Hotline Operation Activities

A. Total Hotline Complaints .....	160
B. Total Complaints Referred to Investigations Division .....	24
C. Total Complaints Referred to SBA or Other Federal Investigative Agencies.....	45
D. Total Complaints Referred to Other Entities.....	9
E. Total Complaints Needing No Action.....	10
F. Total Complaints Being Reviewed for Possible Referral or Other Resolution.....	72

\* May include actions from earlier reporting periods.

\*\* SBA has initiated administrative proceedings in seven of the eleven pending cases.

# Appendices

## Appendix I

### OIG Reports Issued October 1, 2010 through March 31, 2011

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
<i>Recovery Act</i>				
Improper Allotment of Recovery Act Apportionments	ROM 11-01	12/15/10	\$0	\$0
Lack of Documentation and Incorrect Accounting for Recovery Act 7(A) Loan Guaranty Approvals	ROM 11-02	12/15/10	\$0	\$0
America's Recovery Capital Loans Were Not Originated and Closed in Accordance with SBA's Policies and Procedures	ROM 11-03	3/2/11	\$1,562,815	\$0
Quality of Recovery Act Data on Public Websites	ROM 11-04	3/22/11	\$0	\$0
<b>Program Subtotal</b>	<b>4</b>		\$1,562,815	\$0
<i>Disaster Loans</i>				
Processing of Insurance Recovery Checks at the Disaster Loan Servicing Centers	11-07	2/9/11	\$1,155,324	\$0
Records Management and Documentation Process at the Disaster Loan Servicing Centers	11-10	3/29/11	\$0	\$0
<b>Program Subtotal</b>	<b>2</b>		\$1,155,324	<b>\$0</b>
<i>Small Business Development, Contracting, Education, and Training</i>				
Usefulness of the Small Business Innovation Research Tech-Net Database	11-02	11/12/10	\$0	\$0
SBA's Procurement of Information Technology Hardware and Software Through Isika Technologies, INC.	11-08	2/25/11	\$0	\$0
Effectiveness of SBA's Surveillance Review Process	11-11	3/31/11	\$0	\$0
<b>Program Subtotal</b>	<b>3</b>		\$0	\$0

# Appendices

## Appendix I

### OIG Reports Issued October 1, 2010 through March 31, 2011

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
<i>Agency Management</i>				
Fiscal Year 2011 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration	11-01	12/15/10	\$0	\$0
Audit of SBA's FY 2010 Financial Statements	11-03	11/12/10	\$0	\$0
GFRS Report for FY 2010	11-04	11/12/10	\$0	\$0
Audit of SBA's FY 2010 Financial Statements - Management Letter	11-05	11/12/10	\$0	\$0
Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	11-06	1/28/11	\$0	\$0
Review of SBA Controls Over Cash Gifts	11-09	3/18/11	\$0	\$0
<b>Program Subtotal</b>	<b>6</b>		<b>\$0</b>	<b>\$0</b>
<b>TOTALS (all programs)</b>	<b>15</b>		<b>\$2,718,139</b>	<b>\$0</b>

# Appendices

## Appendix II

### OIG Reports with Questioned Costs

No.	Issue	Reports	Recommendations*	Questioned Costs**	Unsupported Costs**
A.	<b>No management decision made by September 30, 2010</b>	2	4	\$442,643	\$223,014
B.	Issued during this reporting period	2	2	\$1,380,218	\$1,337,921
	Universe from which management decisions could be made in this reporting period – Subtotals	4	6	\$1,822,861	\$1,560,935
C.	Management decision(s) made during this reporting period	3	4	\$1,052,810	\$800,403
	(i) Disallowed costs	1	1	\$18,960	\$0
	(ii) Costs not disallowed	0	0	\$0	\$0
	(iii) Amount to be determined upon loan default***	3	3	\$1,033,850	\$800,403
D.	<b>No management decision made by March 31, 2011</b>	2	2	\$770,051	\$760,532

\* Reports may have more than one recommendation.

\*\* Questioned costs are those which are found to be improper, whereas unsupported costs may be proper, but lack documentation.

\*\*\* Represents the value of improper loans that have been flagged, based on OIG audits, so that upon default SBA can adjust or deny the guaranty payments based on the deficiencies identified in the audits

## Appendix III

### OIG Reports with Recommendations that Funds Be Put to Better Use

No.	Issue	Reports	Recommendations*	Recommended Funds For Better Use
A.	<b>No management decision made by September 30, 2010</b>	3	3	\$34,542,400
B.	Issued during this reporting period	0	0	\$0
	Universe from which management decisions could be made in this reporting period – Subtotals	3	3	\$34,542,400
C.	Management decision(s) made during this reporting period	2	2	\$33,300,000
	(i) Recommendations agreed to by SBA management	1	1	\$31,200,000
	(ii) Recommendations not agreed to by SBA management	2	2	\$ 2,100,000
D.	<b>No management decision made by March 31, 2011</b>	1	1	\$1,242,400

\* Reports may have more than one recommendation.

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

# Appendices

## Appendix IV

### OIG Reports with Non-Monetary Recommendations

No.	Issue	Reports	Recommendations
A.	<b>No management decision made by September 30, 2010*</b>	<b>9</b>	<b>39**</b>
B.	Issued during this reporting period	12	110
	Universe from which management decisions could be made in this reporting period – Subtotals	21	149
C.	Management decision(s) made (for at least one recommendation in the report) during this reporting period	18	112
D.	<b>No management decision made by March 31, 2011*</b>	<b>8</b>	<b>37</b>

\* 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

### OIG Reports from Prior Semiannual Periods With Overdue\* Management Decisions as of March 31, 2011

Title	Report Number	Date Issued	Status
Premier Certified Lenders in the Section 504 Loan Program	10-10	3/23/10	The Agency has not responded to one recommendation in the report.
Notice of Finding and Recommendation on Lender-Approved ARC Loans to Affiliates	ROM 10-18	9/22/10	The Agency has not responded to one recommendation in the report.
Material Deficiencies Identified in Early-Defaulted and Early-Problem Recovery Act Loans	ROM 10-19	9/24/10	The Agency has not responded to two recommendations in the report.

\* "Overdue" is defined as more than 180 days from the date of issuance.

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## Appendix VI

### OIG Reports Without Final Action as of March 31, 2011

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	6/31/11
3-08	SBA's Oversight of the Fiscal Transfer Agent for the 7(a) Loan Program	1/30/03	4/15/07	6/30/11
3-26	Microloan Program	5/12/03	*	**
4-34	Audit of SBA's Process for Complying with the Federal Managers' Financial Integrity Act Reporting Requirements	7/29/04	9/9/04	4/30/11
6-10	FY 2005 Financial Statements - Management Letter	1/18/06	3/7/06	3/31/10
6-25	Audit of SBA's Implementation of the Improper Payments Information Act	6/13/06	7/19/06	4/30/11
7-03	Audit of SBA's Fiscal Year 2006 Financial Statements	11/15/06	12/20/06	6/30/11
7-28	SBA's Oversight Of Business Loan Center, LLC	7/11/07	9/27/07	12/31/09
7-29	Quality Assurance Reviews of Loss Verification	7/23/07	8/30/08	6/30/11
8-12	Oversight of SBA Supervised Lenders	5/9/08	6/20/08	6/30/11
8-13	Planning for the Loan Management and Accounting System Modernization and Development Effort	5/14/08	8/29/08	12/11/11
9-03	Audit of SBA's Fiscal Year 2008 Financial Statements	11/14/08	9/30/09	12/15/10
9-05	Audit of SBA's Fiscal Year 2008 Financial Statements – Management Letter	12/17/08	2/18/09	11/30/11
9-12	Review of SBA National Guaranty Purchase Center Furniture Contract	3/31/09	3/31/09	10/15/09
9-15	Participation in the 8(A) Program by Firms Owned by Alaska Native Corporations	7/10/09	*	**

\* Management decision dates vary with different recommendations.

\*\* Target dates vary with different recommendations.

# Appendices

## Appendix VI

### OIG Reports Without Final Action as of March 31, 2011

Report Number	Title	Date Issued	Date of Management Decision	Final Action Target Date
9-16	SBA's Fiscal Year 2008 Improper Payment Rate for the 7(A) Guaranty Loan Program	7/10/09	*	**
9-17	Review of Allegations Concerning How the Loan Management and Accounting System Modernization Project is Being Managed	7/30/09	*	**
9-18	SBA's Management of the Backlog of Post-Purchase Reviews at the National Guaranty Purchase Center	8/25/09	*	**
10-01	Monitoring of Insurance Coverage for Disaster Loan Recipients	10/20/09	11/6/09	**
10-03	Application of Insurance Offsets for Gulf Coast Disaster Loans	10/21/09	1/20/10	6/30/11
10-04	Audit of SBA's FY 2009 Financial Statements	11/13/09	12/15/09	6/1/10
10-06	Audit of SBA's FY 2009 Financial Statements - Management Letter	12/15/09	*	**
10-08	SBA's Efforts to Improve the Quality of Acquisition Data in the Federal Procurement Data System	2/26/10	3/29/10	**
10-10	Premier Certified Lenders in the Section 504 Loan Program	3/23/10	5/20/10	12/31/11
10-12	Audit of the Assessment of the Community Express Pilot Program	8/25/10	3/28/11	5/31/11
10-13	SBA's Role in Addressing Duplication of Benefits Between SBA Disaster Loans and Community Development Block Grants	8/31/10	1/12/11	12/31/11
10-14	Adequacy of Quality Assurance Oversight of the Loan Management and Accounting System Project	9/13/10	*	6/13/11

\* Management decision dates vary with different recommendations.

\*\* Target dates vary with different recommendations.

# Appendices

## Appendix VI

### OIG Reports Without Final Action as of March 31, 2011

Report Number	Title	Date Issued	Date of Management Decision	Final Action Target Date
10-15	Colorado District Office's Servicing of 8(a) Business Development Program Participants	9/30/10	*	9/30/11
ROM 10-10	SBA's Administration of the Microloan Program Under the Recovery Act	12/28/09	*	6/30/11
ROM 10-12	NFR on Material Origination & Closing Deficiencies Identified in SBA and Lender-Approved Recovery Act Loans	3/31/10	7/1/10	9/30/10
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
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	*	**
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	*	**
11-06	Weaknesses Identified During the FY 2010 Federal Information Security Management Act Review	1/28/11	*	**
11-08	SBA's Procurement of Information Technology Hardware and Software Through Isika Technologies, INC.	2/25/11	3/30/11	**
ROM 11-01	Improper Allotment of Recovery Act Apportionments	12/15/10	2/9/11	2/28/11
ROM 11-02	Lack of Documentation and Incorrect Accounting for Recovery Act 7(A) Loan Guaranty Approvals	12/15/10	3/7/11	7/31/11
ROM 11-03	America's Recovery Capital Loans Were Not Originated and Closed in Accordance with SBA's Policies and Procedures	3/2/11	3/31/11	10/31/11

\* Management decision dates vary with different recommendations.

\*\* Target dates vary with different recommendations.

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## Appendix VII

### Summary of Significant Recommendations From Prior Semiannual Reporting Periods Without Final Action as of March 31, 2011\*

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
8-13	5/14/08	Make cost-effective remediation of mainframe vulnerabilities a priority and ensure that migration of LAS occurs before the current mainframe contract expires in 2012 to reduce SBA's mainframe costs and timely mitigate associated security risks.	8/27/08	12/11/11
9-12	3/31/09	Establish internal controls that ensure that OBO and DPGM are unable to modify contracts without the appropriate supporting documentation, including a statement of work.	3/31/09	10/15/09
9-15	7/10/09	Conduct a program review to evaluate whether the growth in Alaska Native Corporation (ANC) 8(a) obligations has adversely impacted, or will adversely impact, other 8(a) firms and the overall effectiveness of the 8(a) program and, if so, make programmatic revisions to minimize the adverse impact.	8/4/09	7/15/09
9-15	7/10/09	Determine whether 8(a) firms owned by ANCs and tribes should continue to be exempt from the cap on total sole source awards in CFR 124.519 and, if not, remove the exemption from this regulation.	8/2/09	6/30/11
9-16	7/10/09	Seek recovery of \$2.3 million from lenders on the loans listed in Appendices III and IV of the report.	8/27/09	6/30/10
9-16	7/10/09	Fully implement the corrective action plan reported in SBA's FY 2008 <i>Performance and Accountability Report</i> to reduce improper payments in the 7(a) Guaranty Loan Programs.	7/28/09	9/30/10
9-16	7/10/09	Report the revised improper payment rate calculated by the OIG for FY 2008 to OMB.	9/26/09	11/15/09
9-17	7/30/09	Take steps to modify the contract to require the Quality Assurance/Independent Verification and Validation (QA/IV&V) contractor to report all findings and recommendations to the Program Manager and an independent Quality Assurance manager designated by the Chief Information Officer (CIO).	8/28/09	9/30/09

\* These are a subset of the universe of recommendations without final action.

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### Summary of Significant Recommendations From Prior Semiannual Reporting Periods Without Final Action as of March 31, 2011\*

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 Systems Development Methodology (SDM) requirements.	8/28/09	9/30/09
9-17	7/30/09	Take steps to ensure that a well-defined deliverable acceptance process is established for the LMAS project in accordance with SBA's <i>Enterprise Quality Assurance Plan</i> .	9/3/09	4/30/11
9-18	8/25/09	Seek recovery of \$1,250,088 on the guaranties paid on the 6 loans listed in Appendix IV of the report.	10/21/09	10/21/10
9-18	8/25/09	Include detailed scopes of work, measurable performance metrics, deliverables, and adequate acceptance criteria in service contracts to assist the contractor staff in performing the reviews and the Center in supervising them.	9/11/09	12/31/10
10-01	10/20/09	Determine the actions needed to achieve compliance with statutory flood insurance monitoring requirements and the cost implications of achieving compliance.	11/6/09	2/28/11
10-01	10/20/09	Develop and execute a plan for achieving compliance on existing and future loans. Alternatively, if achieving compliance is determined to be not cost effective, seek additional funding or legislative change to the statutory flood insurance requirement.	11/6/09	12/31/10
10-01	10/20/09	Revise SOP 50-52 to clarify what action(s) servicing center personnel should take when borrowers refuse to obtain required hazard insurance.	11/6/09	1/31/11
10-03	10/21/09	Implement procedures at the servicing centers that require a timely re-verification of insurance recoveries during the servicing of loans, preferably between 6-months to 1 year after the file is transferred to servicing.	1/20/10	6/30/11
10-04	11/13/09	Implement a process to monitor the audit logs of all financial applications on a regular basis.	12/11/09	6/1/10
10-08	2/26/10	Either update the FY 2008 Data Quality Plan or revise the information notice to include explicit steps that will be taken to ensure data is reviewed for accuracy and completeness.	3/29/10	5/1/11

\* These are a subset of the universe of recommendations without final action.

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### Summary of Significant Recommendations From Prior Semiannual Reporting Periods Without Final Action as of March 31, 2011\*

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
10-08	2/26/10	Conduct an independent review to ensure that the Data Quality Plan or information notice requirements have been fully implemented.	3/29/10	1/31/12
10-08	2/26/10	Ensure that OBO contracting personnel are held accountable for the accuracy of FPDS data.	3/29/10	3/30/11
10-10	3/23/10	Revise SOP 50 10, <i>Lender Development Company Loan Programs</i> , to require that lenders use, among other things, (a) the actual cash flow method to determine borrower repayment ability for businesses using accrual accounting, (b) historical salary levels to estimate officer salary, and (c) historical sales data to make sales projections.	No Management Decision	
10-10	3/23/10	Evaluate the need to establish monetary or other guidelines on the level of excess funds that CDCs should retain as a reserve for future operations and/or invest in other local economic development activities.	4/26/10	12/31/11
ROM 10-04	12/4/09	Implement the necessary controls to check the reasonableness of data, including user prompts, range checks, and the prevention of negative figures, in E-Tran to ensure the accuracy of lender-reported job creation and retention statistics.	2/17/10	8/31/11
ROM 10-04	12/4/09	Implement a data quality review and testing process to determine if job data is properly recorded, classified, and reported.	2/2/10	8/31/11
ROM 10-04	12/4/09	Determine whether the new jobs reported for ARC loans are data anomalies and if not, revise performance measures to report on jobs created.	2/17/10	8/31/11
ROM 10-10	12/28/09	Examine, verify, and test microloan data reported by the intermediaries in MPERS to ensure loan defaults are accurately reported and that obvious inaccuracies and questionable transactions reported by intermediaries are identified and resolved.	3/1/10	6/30/11

\*These are a subset of the universe of recommendations without final action.

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### Summary of Significant Recommendations From Prior Semiannual Reporting Periods Without Final Action as of March 31, 2011\*

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
ROM 10-10	12/28/09	Require intermediaries to report in MPERS the technical assistance provided in relation to each microloan made and use this data to analyze the effect technical assistance may have on the success of microloan borrowers and their ability to repay microloans.	2/24/10	6/30/11
ROM 10-12	3/31/10	Implement the appropriate system controls to automatically identify the outstanding balances of all SBA loans made to a borrower to ensure SBA lending limits will not be exceeded upon the approval of a subsequent loan.	7/1/10	9/30/10
ROM 10-12	3/31/10	Require Wachovia SBA Lending, Inc. to bring loan number 3406815002 into compliance with SBA requirements, or, if not possible, flag the loan as having an equity injection deficiency for consideration during the purchase review should the loan default and purchase be requested.	7/1/10	9/30/10
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 OIG.	5/3/10	1/31/12
ROM 10-16	6/29/10	Take steps to ensure that no procurement action is taken prior to the approval of an acquisition plan by the AA for M&A.	3/28/11	6/30/11
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
ROM 10-16	6/29/10	Work with the OCIO to establish measurable outcomes for the CRM initiative and identify the likelihood that a contractor could meet measurable outcomes in contract evaluation criteria for any future contracts under this initiative.	3/28/11	5/15/11
10-12	8/25/10	Repair \$18,960 in guaranties on the 4 loans purchased above the 50-percent guaranty level for which technical assistance was not completed.	3/28/11	5/31/11

\*These are a subset of the universe of recommendations without final action.

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### Summary of Significant Recommendations From Prior Semiannual Reporting Periods Without Final Action as of March 31, 2011\*

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
10-12	8/25/10	Annotate the loan files for the 30 current loans where technical assistance was not provided for a possible repair of \$268,190 should the loans default.	3/28/11	5/31/11
10-13	9/2/10	Coordinate with FEMA and HUD to formalize a memorandum of understanding with HUD, which defines the functions of each agency in a manner that is consistent with FEMA's duplicate benefits regulation and other applicable regulations.	1/12/11	12/31/11
10-13	9/2/10	Coordinate with HUD to develop more appropriate procedures to reduce duplication of benefits, including the development of a duplication of benefits instructional guide to be incorporated into HUD's Information Toolkit provided to grantees.	1/12/11	12/31/11
10-14	9/13/10	Revise the LMAS QA plan to incorporate all the components required by the enterprise-wide QA plan.	12/21/10	6/13/10
10-14	9/13/10	Take steps to hold TestPros accountable for performing the activities specified in its contract.	10/19/10	6/13/10
ROM 10-18	9/22/10	Review each of the 38 identified loans to determine if they were made to eligible companies.	12/17/10	4/30/11
ROM 10-18	9/22/10	For any loans that SBA determines were made to ineligible companies, cancel the loan guaranties and collect any associated interest paid to the lenders.	No Management Decision	
ROM 10-18	9/22/10	Conduct additional reviews of ARC loans outside the scope of this NFR (for example, loans disbursed after April 30, 2010 and/or undisbursed loans) to identify other ARC loans made to affiliated companies that were inappropriately approved under delegated authority.	12/17/10	4/30/11
ROM 10-19	9/24/10	Reexamine the credit scoring matrix used by one lender that made 18 of the 32 loans with material deficiencies to ensure it complies with SBA requirements.	10/28/10	3/31/11

\* These are a subset of the universe of recommendations without final action.

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### Summary of Significant Recommendations From Prior Semiannual Reporting Periods Without Final Action as of March 31, 2011\*

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
ROM 10-19	9/24/10	Implement a process for providing feedback to SBA employees and lenders when deficiencies are identified.	12/17/10	9/30/11
ROM 10-19	9/24/10	For the 25 purchased loans with material deficiencies, require the lenders to bring the loans into compliance or recover the \$375,259 in guaranties paid.	No Management Decision	
ROM 10-19	9/24/10	Obtain the certification for the loan missing only an immigration certification, or recover \$3,248 from the lender.	10/28/10	3/31/11
ROM 10-19	9/24/10	Flag the other loans that have not yet been purchased to ensure the loan deficiencies are properly addressed at the time of the purchase review.	No Management Decision	
10-15	9/30/10	Review staffing levels of all the district offices to ensure that BDSs can devote the time needed to adequately service their 8(a) participants.	3/23/11	9/30/11

\* These are a subset of the universe of recommendations without final action.

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## Appendix VIII

### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-02	Usefulness of the Small Business Innovation Research Tech-Net Database	11/12/10	Add the mandatory "Minority Code" data field to Tech-Net.
11-02	Usefulness of the Small Business Innovation Research Tech-Net Database	11/12/10	Designate the "Principal Investigator" and "Agency Solicitation Topic Code" as required data field and inform participating agencies of these designations.
11-02	Usefulness of the Small Business Innovation Research Tech-Net Database	11/12/10	Add a database control that prevents agencies from submitting their award data when any of the mandatory data fields are left blank.
11-02	Usefulness of the Small Business Innovation Research Tech-Net Database	11/12/10	Require that participating agencies submit award information to SBA and other participating agencies at the time of award, as required by Small Business Innovation Research (SBIR) Policy Directive, Section 7(a) (iii).
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the Chief Information Officer (CIO) coordinate with SBA program offices to: improve the vulnerability tracking and monitoring process to fully address high and medium risk vulnerabilities for key financial systems; ensure that the vulnerability reports are reviewed and analyzed on a regular basis; periodically monitor the existence of necessary services and protocols running on servers and network devices; and develop a more thorough approach to track and mitigate patch management and configuration management vulnerabilities identified during monthly scans.
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO coordinate with SBA program offices to prevent users from anonymously connecting unauthorized devices by developing and implementing procedures to ensure mandatory domain authentication for IP address issuance.
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO coordinate with SBA program offices to improve the Plan of Actions and Milestones (POA&M) review and approval process for key financial systems. In addition, include all unresolved weaknesses on the POA&M (including vulnerabilities identified at service providers).

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### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO coordinate with SBA program offices to improve the POA&M review and approval process for key financial systems. In addition, include all unresolved weaknesses on the POA&M (including vulnerabilities identified at service providers).
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO coordinate with SBA program offices to develop and implement procedures for user access reviews to ensure that proper access rights are set for financial subsystems.
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO coordinate with SBA program offices to oversee the review and validation of financial system accounts on a periodic basis.
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO coordinate with SBA program offices to implement a process to monitor the audit logs of all financial applications on a regular basis.
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CFO implement procedures and conduct audits of financial system software changes to ensure all changes are sufficiently approved and tested.
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO restrict access to software program libraries based on the principle of least privilege, and periodically review access to the libraries.
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO separate user and data administration functions for financial systems, or implement compensating IT controls such as management review of user administration functions.
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO develop a comprehensive security education and training program for all IT security personnel and a method for monitoring the training program.
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO implement and enforce the procedures documented in SOP 90.47.2 for sanitizing media to be disposed and for maintaining a log of employees who sanitize media to validate the appropriateness of the sanitization process.
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO coordinate with program offices using end-user programs containing sensitive data, such as Personally Identifiable Information and financial data, to implement end-user computing procedures in accordance with the guidance.

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### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-03	Audit of SBA's FY 2010 Financial Statements	11/12/10	Recommend the CIO enforce an organization-wide configuration management process, to include policies and procedures for maintaining documentation that supports testing and approvals of software changes.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Enhance existing internal control over the quarterly review process by continuing to educate all SBA program offices regarding the open obligation review process to ensure information is submitted in a timely and consistent manner, that offices are proactive in addressing invalid or expired Undelivered Orders (UDOs), that office supervisors certify the validity of the UDOs, and that the comments field on the report clearly indicate the validity of the UDOs
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Enhance existing internal control over the quarterly review process by continuing to monitor Headquarter controls over the program office's open obligations quarterly review process. This will ensure compliance with stated policies and procedures.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Research and resolve the issues identified; specifically, obtain sufficient documentation to support the UDO or modify contracts to deobligate undisbursed funds for which the period of availability for disbursement has expired.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Reiterate to the appropriate personnel the importance of consistently following up on quarterly obligation review results to determine whether the remaining UDO balances are valid or should be de-obligated.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Work with the Washington District Office Director to reinforce the importance of retaining copies of each approved employee cost allocation survey.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Continue to work with Colson to implement consistent edit checks so that a meaningful monthly comparison and reconciliation can be made between the errors identified by Colson and those identified by SBA.

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### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Reinforce the importance of properly reviewing the 327 Action Form and Loan Authorizations Agreements when entering loan data in the LAUD screen for referral to ensure the referrals are proper, complete, and timely.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Portfolio Management Director work with the Chief Information Officer to conduct an in-depth analysis of the existing Treasury referral protocol to identify and correct the program coding that is preventing the 139 charged-off loans from being automatically referred.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Portfolio Management Director work with the Chief Information Officer to implement interim, quarterly monitoring reviews to identify all charged-off loans where the automatic referral did not occur.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Portfolio Management Director work with the Chief Information Officer to update the system's program logic to ensure that qualifying loans with executed due process notices will be automatically referred.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Portfolio Management Director work with the Chief Information Officer to perform an analysis of loans charged-off in prior years to identify and correct any Debt Collection Improvement Act (DCIA) non-compliance issues noted.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director in conjunction with the Office of Portfolio Management Director regularly monitor loans coded as workouts to ensure any agreements reached in liquidation are kept.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director in conjunction with the Office of Portfolio Management Director provide monthly reports of charged-off loans with status code 99 (workout) to the Disaster Center Directors to provide a means to periodically review the status of charged-off loans.

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### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommends the Office of Financial Program Operations Director in conjunction with the Office of Portfolio Management Director implement a semiannual review procedure for loans in workout status to begin 180 days following charge-off and thereafter. This review should be performed to ensure that loans for which a workout is not feasible are promptly referred to Treasury for servicing, as appropriate.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director in conjunction with the Office of Portfolio Management Director complete a review of the 838 loans coded workout to determine if the borrower(s) have consistently complied with the terms of the workout agreement. If it is determined that the borrower(s) have not complied with the terms of the workout agreement; update the status code to refer those to Treasury for servicing.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director Continue to allocate resources as required to timely address charge-offs.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director reinforce the importance of a thorough review of all 327 actions by SBA personnel (e.g., issuance of a memorandum, training).
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director perform periodic (quarterly) quality assurance reviews of 327 charge-off actions to ensure all appropriate personnel have signed the form.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director reinforces, through the issuance of memorandum, the importance of a site visit for each loan prior to purchase, fully completing the 327 Action Form, and adequately documenting borrower/guarantor demand letter disbursements.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director ensure all staff members are accurately completing the Guaranty Charge-off Checklist and verifying the wrap up report or other relevant documentation is retained prior to charge-off.

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### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director reinforce, through the issuance of memorandum, the review of credit bureau reports prior to charge-off, and the retention of these reports either in electronic or physical format.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director reinforce, to approving officials, the importance of a thorough review and reconciliation of the interest payment information within the Guaranty Purchase Tracking System (GPTS), on the SBA Form 327, and in the supporting documentation (i.e., the note) in the loan file to ensure agreement at time of purchase.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director notify the lenders of the improper billing and correct the outstanding receivables for these two loan balances in the Loan Accounting System.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director reinforce the importance of the approving official's review and reconciliation of information in GPTS, SBA Form 327, and supporting documentation in the loan file, to ensure they are in agreement at time of charge-off.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Financial Program Operations Director reviews and modifies the system access configurations in FoxPro to prohibit individuals from both recommending approval and approving loan applications.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Credit Risk Management Director establish a management-level oversight procedure to ensure OCRM staff is closely monitoring and communicating with lenders timely in order to address outstanding issues requiring corrective action.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Office of Credit Risk Management Director ensures risk-based reviews are completed in accordance with all review components identified in SOP 51 00.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Associate Administrator for the Office of Disaster Assistance develop and implement explicit follow up procedures related to outstanding remittances to ensure that all duplicative benefit amounts are recuperated.

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### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Associate Administrator for Disaster Assistance reinforce the importance of a thorough review by approving officials of the Duplication of Benefits (DOB) worksheet to ensure the correct remittance is calculated.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Chief Human Capital Officer work with the HubZone Program Office Director to emphasize to all supervisors and timekeepers the importance of adhering to SBA policies and procedures.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Chief Human Capital Officer work with the HubZone Program Office Director to develop and implement controls to more effectively monitor the execution of its policies and procedures, particularly related to the authorization of payroll transactions and the performance of leave audits, to ensure that they are being followed (e.g., develop policies that require quarterly audits of leave discrepancies).
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Chief Human Capital Officer revise the current methodology to maintain and periodically update SBA's organizational structure, functional statements, and charts. Further, the revised methodology should be documented in the SOP.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommends the Chief Human Capital Officer reinforce through management training, the importance of properly and fully completing the Separation Checklist.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Chief Human Capital Officer takes action to ensure the system malfunction that prevented the SF-50 from being properly signed or authenticated is corrected.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Associate Administrator for Management and Administration obtain the delegation of authority and line of succession memoranda from the five field office directors in the sample.

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### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Associate Administrator for Management and Administration perform a review of all delegation of authority and line of succession memoranda currently maintained in the Office of Administrative Services permanent files to ensure that delegations for all offices are on file.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Associate Administrator for Management and Administration identify all offices that have not submitted the memoranda, and work with those personnel to obtain the missing documents.
11-05	Audit of SBA's FY 2010 Financial Statements - Management Letter	12/15/10	Recommend the Associate Administrator for Management and Administration consider developing an annual review process to ensure all delegation of authority and line of succession memoranda are up-to-date and appropriately maintained by the Office of Administrative Services.
11-06	Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	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.
11-06	Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	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.
11-06	Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	1/28/11	Develop configuration management policies and procedures that address purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance.
11-06	Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	1/28/11	Develop and maintain a centralized inventory of all agency hardware and software.

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### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-06	Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	1/28/11	Revise the SBA Certification and Accreditation Program Description procedural document to reflect the risk management framework approach established in National Institute of Standards and Technology (NIST) SP 800-37, Rev.1 and the current POA&M process.
11-06	Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	1/28/11	Re-evaluate the technical, operational and management controls of Eagan Mainframe System and Joint Administrative Accounting System (JAAMS) at the appropriate Federal Information Processing Standard (FIPS) 199 level using guidance provided by NIST SP 800-53 and NIST SP 800-53A.
11-06	Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	1/28/11	Modify the POA&M reporting tool to comply with the requirements set forth in OMB Memorandum 04-25.
11-06	Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	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.
11-06	Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	1/28/11	Enforce SOP 90-47 2 requirements for contractor background investigations and perform periodic reviews to ensure that SBA contractors have completed the clearance process prior to accessing sensitive information.
11-06	Audit of SBA's Compliance with the Federal Information Security Management Act for FY 2010	1/28/11	Enforce SOP 90-47 2 requirements for contractor background investigations and perform periodic reviews to ensure that SBA contractors have completed the clearance process prior to accessing sensitive information.
11-07	Processing of Insurance Recovery Checks at the Disaster Loan Servicing Centers	2/9/11	Recover \$625,880 of DOBs identified in this audit that were improperly returned to borrowers and \$529,444 of DOBs identified in this audit that were outside of the scope of the sample.
11-07	Processing of Insurance Recovery Checks at the Disaster Loan Servicing Centers	2/9/11	Identify and recover other DOBs improperly returned during FY 2008, FY 2009, and FY 2010.
11-07	Processing of Insurance Recovery Checks at the Disaster Loan Servicing Centers	2/9/11	Assign the processing of insurance recovery checks to selected individual(s) at each center and provide them training to allow them to become proficient in calculating duplication of benefits.

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## Appendix VIII

### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-07	Processing of Insurance Recovery Checks at the Disaster Loan Servicing Centers	2/9/11	Ensure the servicing centers document all of the information related to the decision to return or retain each check for future reference.
11-08	SBA's Procurement of Information Technology Hardware and Software Through Isika Technologies, INC.	2/25/11	Instruct the contracting officer to immediately terminate contracts SBAHQ-09-D-0009, SBAHQ-10-D-0001, and Blanket Purchase Agreement (BPA) SBAHQ-10-A-0001 and re-solicit the information technology (IT) hardware and software requirement using full and open competition procedures.
11-08	SBA's Procurement of Information Technology Hardware and Software Through Isika Technologies, INC.	2/25/11	Implement and provide annual training to contracting personnel on acquisition planning, the appropriate use of North American Industry Classification System (NAICS) codes and the Non-manufacturer Rule.
11-08	SBA's Procurement of Information Technology Hardware and Software Through Isika Technologies, INC.	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.
11-08	SBA's Procurement of Information Technology Hardware and Software Through Isika Technologies, INC.	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.
ROM 11-01	Improper Allotment of Recovery Act Apportionments	12/15/10	Recommend the Chief Financial Officer ensures the newly implemented Funds Control System has adequate system controls in place to prevent allotments from exceeding apportioned amounts.
ROM 11-02	Lack of Documentation and Incorrect Accounting for Recovery Act 7(A) Loan Guaranty Approvals	12/15/10	Recommend the Office of Financial Program Operations Director reinforce the importance of effective review of loan guaranty applications by a loan officer and supervisory loan officer to ensure that loan files contain proper documentation to support the approval or denial determination, and loan guaranty transactions are properly recorded in the Loan Accounting System and that transactions are posted to the proper program and financing accounts.

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## Appendix VIII

### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
ROM 11-03	America's Recovery Capital Loans Were Not Originated and Closed in Accordance with SBA's Policies and Procedures	3/2/11	Flag all 56 loans to ensure the deficiencies are properly addressed if the loans default and are submitted for purchase. Further, notify the Office of Inspector General of any denials, repairs, withdrawals, or cancellations of SBA's guaranties made as a result of the deficiencies identified during the purchase reviews.
ROM 11-03	America's Recovery Capital Loans Were Not Originated and Closed in Accordance with SBA's Policies and Procedures	3/2/11	Notify the loan servicing center responsible for purchasing defaulted America's Recovery Capital (ARC) loans of the high number of deficiencies identified and require the center to carefully review all ARC loans for compliance with SBA's requirements during its purchase review.
ROM 11-03	America's Recovery Capital Loans Were Not Originated and Closed in Accordance with SBA's Policies and Procedures	3/2/11	Provide feedback to the SBA loan officers who approved the ARC loans in which deficiencies were identified to prevent similar deficiencies in the approval of other SBA loans.
ROM 11-03	America's Recovery Capital Loans Were Not Originated and Closed in Accordance with SBA's Policies and Procedures	3/2/11	Notify the improper payment review team of the high rate of improper ARC loan guaranties identified during this audit to ensure the proper estimation of improper payments in the ARC loan program.
ROM 11-04	Quality of Recovery Act Data on Public Websites	3/22/11	Research the \$21,627,140 in Appendix I to determine whether the award has been made or the funds should be de-obligated. This research should result in these actions being posted to FPDS.gov.
ROM 11-04	Quality of Recovery Act Data on Public Websites	3/22/11	Deploy an independent statistical verification and validation of all SBA transactions awarded and subsequently reported to FPDS.gov.
ROM 11-04	Quality of Recovery Act Data on Public Websites	3/22/11	Research the \$695,157 in Appendix II to determine the disposition of these awards and whether Recovery Act funds were actually used funds the awards. If not, these awards need to be corrected in PRISM, and FPDS.gov, and the contract files.
ROM 11-04	Quality of Recovery Act Data on Public Websites	3/22/11	Fully develop and implement a data quality plan that documents processes to ensure timely, accurate and complete submission of contracts data to USASpending.gov.
ROM 11-04	Quality of Recovery Act Data on Public Websites	3/22/11	Take immediate action to remedy Panum Telecom LLC's nonperformance on the contract.

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## Appendix VIII

### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
ROM 11-04	Quality of Recovery Act Data on Public Websites	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.
ROM 11-04	Quality of Recovery Act Data on Public Websites	3/22/11	Research and resolve the \$14,792,496 discrepancy shown in Appendix III to determine whether the award has been made or the funds should be de-obligated.
ROM 11-04	Quality of Recovery Act Data on Public Websites	3/22/11	Deploy vigorous quality controls such utilizing system generated reports to ensure that grant awards are validated and released prior to transmitting grants data to USASpending.gov.
ROM 11-04	Quality of Recovery Act Data on Public Websites	3/22/11	Perform periodic reviews of grants data reported to USASpending.gov to ensure that data is accurate and complete in compliance with the Transparency Act.
ROM 11-04	Quality of Recovery Act Data on Public Websites	3/22/11	Work collaboratively with the CFO to develop and implement a data quality plan that documents processes to ensure timely, accurate and complete submission of grants data to USASpending.gov.
ROM 11-04	Quality of Recovery Act Data on Public Websites	3/22/11	Implement continuous monitoring to ensure that intermediary-reported information is correct and accurate.
11-10	Records Management and Documentation Process at the Disaster Loan Servicing Centers	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.
11-10	Records Management and Documentation Process at the Disaster Loan Servicing Centers	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.
11-10	Records Management and Documentation Process at the Disaster Loan Servicing Centers	3/29/11	Refine the electronic recordkeeping system to facilitate usability so that all documents of a specific type and for a specific range of dates can be located and retrieved.

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### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

Report Number	Title	Date Issued	Recommendation
11-10	Records Management and Documentation Process at the Disaster Loan Servicing Centers	3/29/11	Develop written procedures pertaining to the electronic recordkeeping system and specify that all documents associated with active loans are to be included in the electronic recordkeeping system.
11-11	Effectiveness of SBA's Surveillance Review Process	3/31/11	Take the appropriate steps to amend SBA's selection criteria to include errors identified in SBA's Office of Government Contracting 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.
11-11	Effectiveness of SBA's Surveillance Review Process	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.
11-11	Effectiveness of SBA's Surveillance Review Process	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.
11-11	Effectiveness of SBA's Surveillance Review Process	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.
11-11	Effectiveness of SBA's Surveillance Review Process	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).
11-11	Effectiveness of SBA's Surveillance Review Process	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.

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## Appendix VIII

### Summary of Significant Recommendations October 1, 2010 through March 31, 2011

<b>Report Number</b>	<b>Title</b>	<b>Date Issued</b>	<b>Recommendation</b>
11-11	Effectiveness of SBA's Surveillance Review Process	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.
11-11	Effectiveness of SBA's Surveillance Review Process	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 establish a formal follow-up process that ensures PCRs receive copies of final reports and follow-up on deficiencies and recommendations.
11-11	Effectiveness of SBA's Surveillance Review Process	3/31/11	Issue written instructions to remind surveillance review teams to address all interview and contract review checklist questions.
11-11	Effectiveness of SBA's Surveillance Review Process	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.
11-11	Effectiveness of SBA's Surveillance Review Process	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.

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## Appendix IX

### Cosponsored and Other Activities October 1, 2010 through March 31, 2011

Name/Subject of Event	Name of Cosponsor(s)	Date of Event	Event Location
Training Entrepreneurs	City of Miami Mayor's Office	10/13/10	Miami, FL
International Market Insights	Irvine Chamber of Commerce, U.S. Commercial Service	10/20/10, 11/17/10 12/14/10, 1/12/11, 2/16/11, 3/16/11	Irvine, CA
Expanding Access to Capital and Credit for Business in St. Louis	Federal Reserve Bank of St. Louis, Missouri Small Business & Technology Development Centers, St. Louis Regional Chamber of Commerce	11/10/10	St. Louis, MO
National Congress of American Indians 67th Annual Convention and Marketplace	National Congress of American Indians	11/17/10	Albuquerque, NM
Small Business Lending Fund Forum	Visa and International Council for Small Businesses (ICSB)	12/8/10	Washington, DC
Rhode Island Small and Emerging Contractor Development Program	The Surety & Fidelity Association of America, Johnson & Wales University thru the Rhode Island Small Business Development Center, Joseph G.E. Knight SCORE Chapter 13 and Center for Women & Enterprise	1/1/11-12/31/12 On-going	Providence, RI
Torrington Business Roundtables	Platte Valley Bank, Wyoming Women's Business Center	1/3/11-12/31/11 On-going	Torrington, WY
Native American Pavilion	U.S. Department of Commerce and National Association of Music Merchants (NAMM)	1/13-1/16/11	Anaheim, CA
Procurement Workshop Series	Gateway Community College	1/21/11 and 2/25/11	New Haven, CT
Straight Talk 2011 & Straight Talk Series	SCORE Buffalo Niagara Chapter #45	1/22/11, 2/8/11, 2/15/11, 2/22/11, 3/1/11, 3/8/11, 3/15/11, 3/22/11, 3/29/11	Buffalo, NY

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### Cosponsored and Other Activities October 1, 2010 through March 31, 2011

Name/Subject of Event	Name of Cosponsor(s)	Date of Event	Event Location
Contact 2011 - Transmitting Opportunities	National Aeronautics and Space Administration, U.S. Army Corps of Engineers, Louisiana Procurement Technical Assistance Center	1/27/11	New Orleans, LA
Doing Business with the Government	Hispanic American Chamber of Commerce	1/28/11	Boston, MA
Conference and Expo for Latino Entrepreneurs	Chamber of Latino Entrepreneurs	1/29/11	Santa Ana, CA
Entrepreneurial Mentor Corps (Pilot Phase)	Kauffman Foundation	1/11-9/11- on-going	Nationwide
Small Business Educational Resource Activities	Greater Des Moines Partnership	2/11-1/13, on-going	Des Moines, IA
SBA 7(a) & 504 Program Lender Training	Business Finance Group, Inc., University of Maryland SBDC	2/11-8/31/11, on-going	Maryland
National 8(a) Association 2011 Winter Conference	National 8(a) Association and U.S. Hispanic Chamber of Commerce	2/1-2/2/11	Orlando, FL
Winter Business Fair	City of Burlington Community and Economic Development Office, Champlain Valley Office of Economic Opportunity Micro Business Development Program	2/9/11	Burlington, VT
Tibbetts/SBIR Hall of Fame Awards Celebration	Northrop Grumman Systems Corporation	2/15/11	Washington, DC
Small Business Resource Workshops Series	Asian, Inc., Asian Business Association - Silicon Valley	2/15/11, 3/31/11 on-going	San Francisco, CA; Los Altos, CA
The City of Miami ACCESS to Capital Workshop	The City of Miami, Florida, Miami Community Redevelopment Agency, ACCESS Miami, Accion USA, Puerto Rican Chamber of Commerce, Chase Bank, TD Bank	2/18/11	Miami, FL
Making the Coachella Valley SOAR	Coachella Valley Economic Partnership, Indio Chamber of Commerce	2/24/11	Indio, CA

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### Cosponsored and Other Activities October 1, 2010 through March 31, 2011

Name/Subject of Event	Name of Cosponsor(s)	Date of Event	Event Location
Top Ten Asian American Business Presentation/Award & Asian American & Minority Business Procurement Connections Conference	U.S. Pan Asian American Chamber of Commerce Education Foundation California Chapter	3/9/11	San Francisco, CA
How to do Business with the City and Federal Government Contracting and Procurement Workshop	Columbia-Harlem Small Business Development Center, NYC Department of Small Business Services	3/10/11	New York, NY
SBA/Summit Insight Government Contracts Made Easier Jumpstart to Success	Summit Insight LLC	3/10/11	Washington, DC
Business Sessions at the 25th Annual Reservation Economic Summit and American Indian Bus. Trade Fair (RES 2011)	The National Center for American Indian Enterprise Development	3/14/11-3/17/11	Las Vegas, NV
From Planning to Funding: Learn All the Options to Fund Your Business	SCORE Columbus Chapter #27, Economic & Community Development Institute	3/15/11	Columbus, OH
OPERATION: Start Up and Grow	Entrepreneurship Bootcamp for Veterans, M&T Bank, New York Business Development Corporation, Onondaga Community College, Onondaga Small Business Development Center, The Tech Garden, The WISE Center	3/15/11	Syracuse, NY
7th Annual "Connecting Businesses with Contracts" Procurement Conference	Southern University and A&M College Center for Rural and Small Business Development, Louisiana Procurement Technical Assistance Center	3/29/11	Baton Rouge, LA

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### Cosponsored and Other Activities October 1, 2010 through March 31, 2011

Name/Subject of Event	Name of Cosponsor(s)	Date of Event	Event Location
2011 Ohio Business Matchmaker	Ohio Department of Development, Ohio Business Connection, Southern Ohio Procurement Outreach Center, Aeronautical Systems Center Small Business Office, Defense Logistics Agency	3/22/11-3/23/11	Dayton, OH
SBA Southern California 8(a) Conference	Orange County/Inland Empire SBDC Regional Lead Center, Integrating Solutions, LLC	3/ 23/11	Anaheim, CA
Columbia's Got Capital: A Small Business Matchmaking Event; an event that is meant to bring small businesses and entrepreneurs together with commercial lenders	Missouri Small Business & Technology Development Centers, Missouri Procurement Technical Assistance Centers, Missouri Department of Economic Development, Chapter 340 of the SCORE Association	3/30/11	Columbia, MO
Dynamic Networking for Small Business	U.S. Army Corps of Engineers	3/30/11	Fairmont, WV
Workshop: Social Media - Recipe for Success	Business and Professional Women	3/31/11	Cockeysville, MD
Start Up America: Reducing Barriers Roundtables	SCORE, American Express Company	3/2011-6/11	Boston, MA, Silicon Valley, CA Atlanta, GA Pittsburgh, PA Minneapolis, MN Boulder, CO
I-FEM Network	View from the Top, Inc., A&M Montoya, Inc.	Every 3rd Tuesday 3/11-2/12	El Paso, TX

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## Appendix X

### Legal Actions Summary October 1, 2010 through March 31, 2011

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
AL	BL	The seller of a gas station presented false tax information to SBA and the buyer in order to artificially inflate the annual sales revenues of the gas station. The buyer was utilizing an SBA Express loan of \$76,000 to purchase the business.	Seller pled guilty.	None
CA	BL	The president of three pizza restaurants falsely reported that neither he, nor his businesses, were involved in any pending lawsuits or had any business indebtedness. He made these representations on three separate loan applications for SBA-guaranteed 7(a) loans in the amounts of \$300,000, \$488,000, and \$250,000.	Individual pled guilty.	None
GA	BL	The president of a sports bar provided false information on his SBA Form 912 (Statement of Personal History) when applying for a \$1.8 million SBA-guaranteed loan. Specifically, he indicated he had no previous criminal history; when, in reality, he had been arrested and convicted on numerous occasions for various crimes including driving under the influence, simple assault, and possession of illegal substances.	President sentenced to 20 months in prison, 3 years probation, and \$1.8 million in restitution.	None
IL	BL	The president/part-owner of an Illinois corporation conspired with others to submit a fraudulent loan application to the SBA and a lender in order to obtain an SBA-guaranteed loan of \$1.24 million for purchase of a gasoline station. The loan application included documents falsely showing that his corporation possessed adequate cash funds for the required equity injection.	President/part-owner sentenced to 15 months in prison, 3 years supervised release, and restitution of \$953,736. After his imprisonment, he will be transferred to the DHS/ICE for deportation.	None
IL	BL	An entrepreneur obtained multiple SBA-guaranteed bank loans totaling \$121,695 to purchase Egyptian artifacts for two art-exhibition companies that he created. He submitted false invoices and letters supporting purchases of collateral artifacts that were never finalized and then diverted the loan proceeds to personal accounts that he used to support a lavish lifestyle.	The entrepreneur was sentenced to 15 months in prison; 5 years supervised release, and restitution totaling \$63,871.	FBI, DEA

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### Legal Actions Summary October 1, 2010 through March 31, 2011

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
IL	GC	A former director of a federal government outpatient pharmacy conspired with a subordinate to allow the subordinate to be involved in the hiring and supervising of temporary pharmacist employees supplied by a company owned by the subordinate's spouse. The former director also received illegal gratuities in exchange for helping to steer orders to a vendor who provided supplies to the outpatient pharmacy.	Former director sentenced to 5 months in prison and \$49,484 in restitution.	VA/OIG, DCIS, USSS
KY	BL	An individual allegedly used the identity of his business partner, a federal air marshal, to obtain an SBA Express Loan and multiple credit cards. It is also alleged that the individual deposited a \$167,000 counterfeit check into a federally insured financial institution.	Individual indicted.	USSS
LA	DL	An individual created fraudulent receipts and documents to reflect repair expenses that she had supposedly sustained as a result of Hurricane Katrina, but which she had not actually incurred. Based on the fraudulent documents, she received an SBA disaster loan of \$108,000.	Individual pled guilty.	HUD/OIG, DHS/OIG, USPS/OIG
LA	DL	An individual received an Economic Injury Disaster Loan, on behalf of her father, in the amount of \$342,000. She submitted a false mortgage as security for the loan, leases with inflated rental amounts to prove her ability to repay the loan, and receipts misrepresenting work done on the properties with the loan proceeds.	Individual pled guilty and sentenced to 37 months in prison, 3 years supervised release, and restitution of \$476,906.	HUD/OIG, DHS/OIG, DOS/OIG
LA	DL	After being approved for a disaster home loan of \$79,500 and a disaster business loan of \$70,000, an individual submitted fictitious documents, including a lien release, invoices, insurance forms, and contractor proposals, in order to mislead SBA and influence the disbursement of additional disaster loan funds.	Individual sentenced to 18 months in prison, 3 years supervised release, and restitution of \$136,952.	FBI

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### Legal Actions Summary October 1, 2010 through March 31, 2011

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
LA	DL	An individual provided false information regarding the address of his primary residence at the time of Hurricane Katrina. He received a \$110,900 SBA disaster loan, as well as a grant from the Louisiana Road Home Program. The sentencing also incorporates penalties for charges relating to obtaining drivers' licenses and Social Security and health care benefits under the name of the individual's deceased brother.	Individual sentenced to 78 months in prison, 3 years supervised release, and restitution of \$245,197.	HUD/OIG, FBI
LA	DL	An individual misrepresented her income and employment to SBA in order to obtain loan approval and subsequent increases. She also made false statements and submitted fraudulent documentation to claim highly inflated disaster losses and repair expenses. The original SBA loan amount was \$27,700; the loan was subsequently increased six times to \$187,800.	Individual pled guilty. Individual sentenced to 6 months in jail (suspended) and unsupervised probation until the SBA loan is paid in full.	HUD/OIG, DHS /OIG, FBI
LA	DL	An individual allegedly provided false statements on her applications for disaster assistance regarding her primary residence being affected by Hurricane Katrina. Although she owned the property that she claimed as her primary residence, the house was considered unlivable prior to the storm. As a result of her representations, she received \$219,000 in disaster loan funds from the SBA, as well as assistance from FEMA and the Louisiana Road Home Program.	Individual charged by criminal information.	HUD/OIG, DHS /OIG, FBI
LA	DL	An individual made false claims to SBA regarding the location of her primary residence at the time of Hurricane Katrina. Based on this claim, she received an SBA-guaranteed loan for \$182,900, as well as benefits from FEMA and the Louisiana Road Home Program.	The individual and her husband entered into a civil settlement agreement with the United States on behalf of the SBA, HUD, and FEMA. They agreed to pay \$140,000 to settle the claims. The couple had already paid the remaining \$94,656 balance of the SBA disaster loan.	HUD OIG, DHS OIG

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### Legal Actions Summary October 1, 2010 through March 31, 2011

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
LA	DL	A couple applied for an SBA loan for Hurricane Katrina damages using an address of a property that they owned but did not occupy. The couple received a \$50,000 disaster loan by misrepresenting this property as their primary residence.	Husband sentenced to 18 months in jail, 36 months supervised release, and restitution of \$122,715. Former wife sentenced to 6 months at a halfway house, 6 months home detention, 36 months supervised probation, and restitution of \$110,300.	HUD/OIG, DHS/OIG, FBI
MD	GC	The president of a design engineering firm falsely represented to the SBA and other government agencies that the company maintained its principal office in a designated Historically Underutilized Business Zone (HUBZone) location. Based upon these false representations made to the SBA and the contracting agencies, the company was awarded contracts from the U.S. Army, the Department of Labor, the Department of Homeland Security, and the Smithsonian.	The company president agreed to pay the United States \$200,000 to settle civil False Claims Act charges.	DCIS, Smithsonian/ OIG
MD	GC	A government employee used his government purchase card to pay for goods and services that were never provided or provided at inflated prices. The three businesses from which purchases were made were operated by the same contractor and falsely listed on contracting documents as being 8(a) certified.	Government employee sentenced to 15 months in prison, 3 years supervised release, and restitution of \$958,281 to be paid jointly and severally with his co-conspirator.	NARA/OIG
MD	GC	The presidents of two companies falsely represented to the SBA and other government agencies that their companies qualified for SBA's 8(a) business development and HUBZone programs. The companies then obtained set-aside construction contracts from the Department of Defense.	The two companies and their presidents agreed to pay the United States \$200,000 to settle civil False Claims Act charges.	DCIS

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### Legal Actions Summary October 1, 2010 through March 31, 2011

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
MD	BL	The owner of a restaurant equipment business contracted with the vice president of a restaurant to perform construction/renovation work and provide equipment at a cost of \$145,000. The two conspired to falsely inflate the total cost of the project in order for the restaurant vice president to obtain a \$417,000 SBA-guaranteed loan. The contractor returned \$97,000 of the loan proceeds back to the borrower.	The owner of the restaurant equipment outlet sentenced to 6 months home detention, 3 years probation, and \$97,000 in restitution. The restaurant vice president found guilty in a jury trial.	None
MI	BL	The president of a title company conspired with others to pay kickbacks to brokers and realtors in exchange for them utilizing the title company to conduct residential loan closings. This scheme was revealed when investigating widespread fraud associated with a large non-bank lender.	Individual pled guilty.	USSS
MO	BL	A former real estate agent agreed to obtain a \$125,085 loan for another individual in exchange for \$7,500. The remaining loan proceeds went to benefit other individuals and business entities, to include making payments on SBA-guaranteed loans made to the individual's company.	Former real estate agent pled guilty and sentenced to 5 years probation.	FBI
MS	DL	An individual allegedly misrepresented that his primary residence had been damaged by Hurricane Katrina in order to secure a \$144,900 disaster home loan. Using the same information, he also received disaster benefits from other federal agencies.	Individual indicted. Remaining balance of SBA loan repaid.	HUD OIG, DHS OIG, MSAO
MS	DL	A husband and wife received \$152,000 in SBA disaster relief funds based on a claim for Hurricane Katrina damages to property that was not their primary residence.	Husband sentenced to 18 months in prison and 3 years supervised release. Wife sentenced to 15 months in prison and 3 years supervised release. Both ordered to pay joint and several restitution of \$95,379.	HUD/OIG, MSAO, DHS/OIG, HHS/OIG

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### Legal Actions Summary October 1, 2010 through March 31, 2011

MS	DL	When applying for an SBA home disaster loan, a husband and wife allegedly claimed a property in Mississippi as their primary residence, when, in reality, they were living in California. They were approved for a loan of \$240,000, of which \$50,000 was disbursed.	Husband sentenced to 36 months probation and restitution of \$25,000. Wife sentenced to 60 months probation and restitution of \$25,000.	HUD/OIG, DHS/OIG, MSAO
MS	DL	An individual claimed addresses on her applications for disaster assistance following Hurricane Katrina that were not her primary residence in an attempt to fraudulently receive an SBA disaster home loan of \$43,000, as well as other disaster related benefits.	Individual indicted. Remaining balance of SBA loan repaid.	HUD/OIG, DHS/OIG, MSAO
NJ	BL	A loan broker obtained multiple SBA-guaranteed loans from various financial institutions for fictitious businesses. The loan broker was operating as part of an organized group of foreign nationals who were obtaining credit cards and loans from various lending institutions using false identities, documents, and business names.	Loan broker pled guilty to a criminal information.	IRS/CID, ENJPD
NJ	DL	The owner of a now-defunct retail and design company allegedly submitted fraudulent invoices and correspondence when applying for an \$80,100 SBA disaster loan related to floods in the local area.	Owner and her company indicted.	None
NY	DL	The owners of a production company obtained an SBA 9/11 Disaster Loan of \$198,000 for their company. The investigation revealed that \$102,000 was transferred from the business bank account into the couple's personal bank account and used for non-business related expenses.	The couple paid \$140,000 as part of a settlement with the SBA during liquidation proceedings. They also entered into a civil settlement agreeing to pay \$90,000 to settle the charges.	None
PA	BL	An individual misrepresented himself as senior vice president of a financial institution and gave false representations to borrowers indicating that he could secure SBA loans for them. He took application fees from the borrowers knowing that he was not an SBA-approved lender.	Individual pled guilty and sentenced to 6 years probation, \$75 in fines, and \$4,998 in restitution. In addition, the court ordered that the individual could not hold a fiduciary position for 6 years.	TPD, PPD, NGTPD

# Appendices

## Appendix X

### Legal Actions Summary October 1, 2010 through March 31, 2011

TX	DL	When applying for a \$196,300 Hurricane Rita disaster business loan, an individual misrepresented his criminal record and submitted fictitious receipts and estimates to the SBA. Of the \$196,300 loan, he used approximately \$50,000 on actual business property and expenses. The remainder was spent to pay off a bankruptcy judgment, finance his daughter's college tuition, and buy a new car and new furniture.	Individual pled guilty.	None
TX	BL	The seller and buyer of a convenience store conspired with others to obtain a \$1 million SBA-guaranteed loan and a \$300,000 conventional loan to finance the purchase. The seller represented that equity injection funds had been received at closing from the borrower when, in fact, no money was exchanged.	Seller sentenced to 5 years probation (to include 8 months home confinement), restitution totaling \$297,320, and a \$10,000 fine.	FBI
TX	BL	A loan broker for a development company allegedly misrepresented the cash injection amounts on three separate SBA loans totaling over \$3.7 million. The broker provided the bank with copies of checks from the borrowers that were never cashed by the development company.	Loan broker indicted.	FBI
TX	DL	A husband and wife received an SBA Disaster Assistance Loan in the amount of \$171,600, to rebuild their home that had been damaged as a result of Hurricane Katrina. It is alleged that the couple conspired with another individual (related by marriage) to defraud the SBA by submitting fraudulent receipts and invoices and making fictitious statements and representations in order to increase the loan amount and justify the use of loan proceeds.	Three individuals indicted.	DHS/OIG
TX	DL	An individual provided false residential, identification, and employment information, as well as fraudulent supporting documentation, when applying for Hurricane Katrina disaster assistance, including a \$40,000 SBA disaster loan.	Subject pled guilty and sentenced to 5 years probation and \$79,479 in restitution.	DHS/OIG, DOL/OIG

# Appendices

## Appendix X

### Legal Actions Summary October 1, 2010 through March 31, 2011

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
TX	BL	An individual, acting as a loan agent, received loan applications from potential borrowers and then allegedly inflated the income information provided by the applicants and submitted the fraudulent loan applications to various banks.	Loan agent indicted.	FBI
VA	GC	A company president falsely represented to the SBA that his company's principal office was located in a designated HUBZone location. Once certified, the company fraudulently obtained a HUBZone contract for fire alarm installation from the Department of Veterans Affairs.	Company and president agreed to pay the United States \$150,000 to settle civil False Claims Act charges.	VA/OIG
WA	BL	The attorney for the seller of a now-defunct disaster restoration business made false representations to the SBA, including understating the purchase price by over \$3 million. The seller sold the business to a buyer who obtained a \$1,999,800 SBA-guaranteed loan to fund a portion of the sale. The inflated financial statements were submitted to the lender to support the value of the business and the purchase price. The seller then used the fraudulently obtained loan proceeds to purchase a \$1.785 million home in Florida.	Attorney pled guilty.	IRS/CID

**Program Codes:** BL=Business Loans; DL=Disaster Loans; GC=Government Contracting and Section 8(a) Business Development.

**Joint-investigation Agency Acronyms:** DCIS=Defense Criminal Investigative Service; DEA= Drug Enforcement Administration; DHS/ICE=Department of Homeland Security/Immigration and Customs Enforcement; DOL/OIG=Department of Labor/OIG; DOS/OIG=Department of State/OIG; DHS/OIG=Department of Homeland Security/OIG; ENJPD= Englewood New Jersey Police Department FBI=Federal Bureau of Investigation; FEMA=Federal Emergency Management Agency; HHS/OIG=Department of Health and Human Services/OIG; HUD/OIG=Department of Housing and Urban Development/OIG; IRS/CID=Internal Revenue Service/Criminal Investigations Division; MSAO= Mississippi State Auditor's Office; NARA/OIG=National Archives and Records Administration/OIG; NGTPD=New Garden Township Police Department; PPD=Phoenixville Police Department; Smithsonian/OIG= Smithsonian Institution OIG; TPD=Tredyffrin Police Department, USPS/OIG=United States Postal Service/OIG; USSS=United States Secret Service; VA/OIG=Department of Veterans Affairs/OIG.

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# Appendices

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## Appendix XI

### Results of External Peer Reviews

Section 5(a) of the IG Act contains the following requirements for reporting the results of peer reviews in OIG Semiannual Reports to Congress:

*"(14)(A) an appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period; or*

*"(B) if no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General;*

*"(15) a list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete; and*

*"(16) a list of any peer reviews conducted by the Inspector General of another Office of the Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review (including any peer review conducted before the reporting period) that remain outstanding or have not been fully implemented."*

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 3 years.

The SBA OIG did not have a peer review conducted during this semiannual reporting period. The last peer review of the SBA OIG was conducted by the Department of Commerce OIG, which issued its final report on December 18, 2009. The SBA 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 SBA OIG.

The SBA OIG did not conduct a peer review of another OIG during this semiannual reporting period. There are no outstanding recommendations from previous peer reviews of other OIGs conducted by the SBA OIG.

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# Appendices

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## Appendix XI

### Results of External Peer Reviews

#### 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 no less often than once every 3 years.

The SBA OIG did not have a peer review conducted during this semiannual reporting period. The last peer review of the SBA OIG was conducted by the Department of Transportation OIG, which issued its final report on May 7, 2009. The SBA OIG was found to be in compliance with quality standards established by the CIGIE and Attorney General guidelines (OIGs can be assessed as either Compliant or Noncompliant). There are no outstanding recommendations from previous peer reviews of the SBA OIG.

The SBA OIG did not complete a peer review of another OIG during this semiannual reporting period. There are no outstanding recommendations from previous peer reviews of other OIGs conducted by the SBA OIG.

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# Appendices

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## Appendix XII

### Small Business Administration Office of Inspector General

The OIG has four divisions that perform the key functions described.

- **The Auditing Division** performs financial, information technology and other mandated audits, program performance reviews, and internal control assessments, and oversees audits by contractors to promote the economical, efficient, and effective operation of SBA programs.
- **The Investigations Division** manages a program to detect and deter illegal and/or 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 all Agency employees have the appropriate background investigations and security clearances for their duties. They also conduct the name check program, which provides SBA officials with character-eligibility information on loan applicants and other potential program participants.
- **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 civil enforcement matters, processes subpoenas, responds to Freedom of Information and Privacy Act requests, and reviews and comments on proposed Agency policies, regulations, legislation, and procedures.
- **The Management and Policy Division** provides business support (e.g., budget/financial management, human resources, information technology, and procurement) for the various OIG functions, coordinates the preparation of the Semiannual Report to Congress and the Report on SBA's Management Challenges, and develops OIG strategic and performance plans.

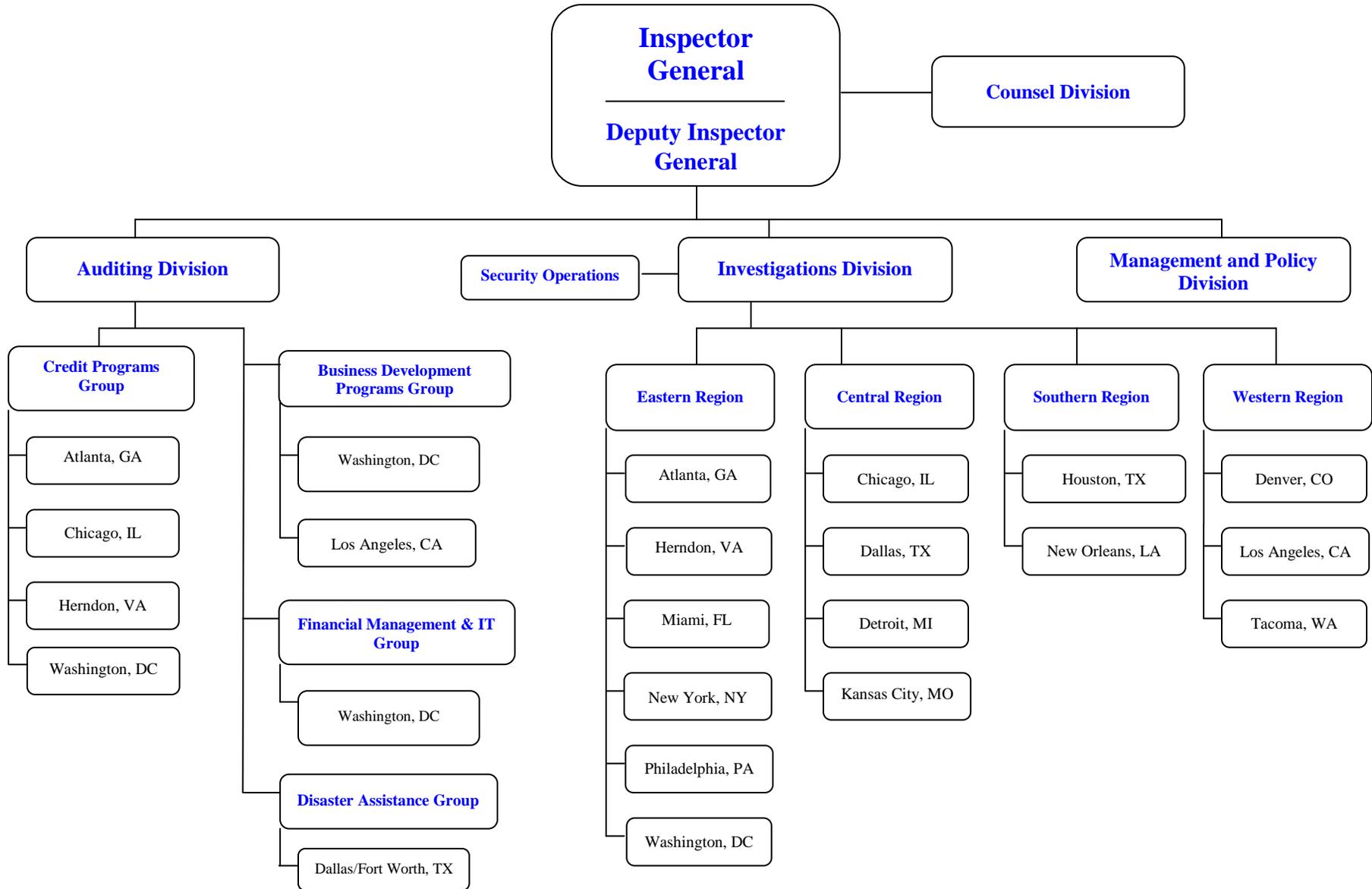
The OIG is headquartered in Washington, DC, and has field staff located in Atlanta, GA; Chicago, IL; Dallas/Fort Worth, TX; Detroit, MI; Denver, CO; Herndon, VA; Houston, TX; Kansas City, MO; Los Angeles, CA; Miami, FL; New Orleans, LA; New York, NY; Philadelphia, PA; Tacoma, WA; and Washington, DC.

An organization chart for the OIG is shown on page 63.

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## Appendix XII

### Small Business Administration Office of Inspector General





# Make A Difference!

To promote integrity, economy, and efficiency, we encourage you to report instances of fraud, waste, or mismanagement to the [SBA 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 (5<sup>th</sup> Floor)  
Washington, DC 20416

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